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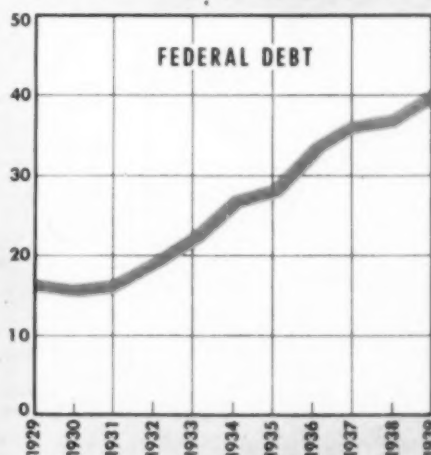
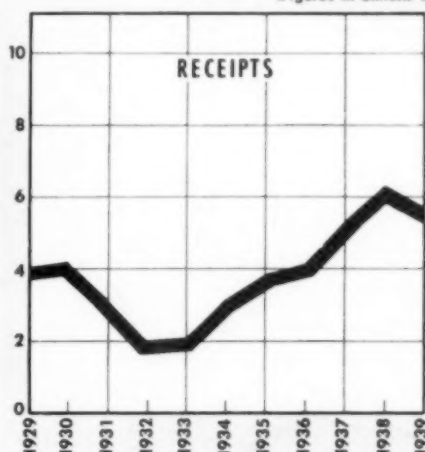
WEEK  
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# BUSINESS WEEK

## AS THE GOVERNMENT OPENS THE BOOKS FOR THE NEW YEAR

(Figures in Billions of Dollars—Fiscal Years)



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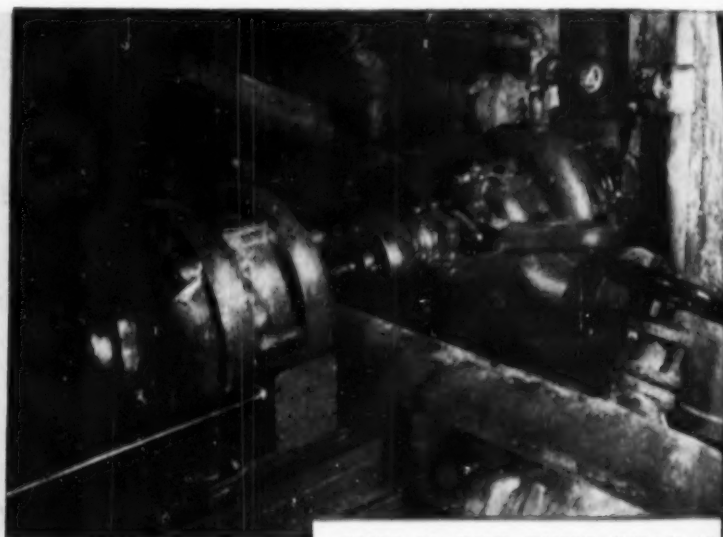
# SAVES \$200

*Another true case history from the Allis-Chalmers files that proves "IT PAYS TO BUY THE EQUIPMENT THAT PAYS FOR ITSELF"*

## A MONTH IN 3 WAY SAVING

**Reiser Co., Inc., Replaces Old Pump with New, Modern Allis-Chalmers Pump! Saves Three Ways... On Power Bill... On Water Bill... On Product Reclaimed!**

**GET THE WHOLE STORY ON THE BIG SAVINGS THAT ALLIS-CHALMERS CAN GET FOR YOU . . . WITH THE EQUIPMENT THAT PAYS FOR ITSELF!**



When your manufacturing process wastes some of your raw material, you'll try to reclaim that material if you possibly can! And when an Allis-Chalmers pump can help you do it . . . can get you savings in power and in water at the same time . . . you'll put it to work at once to get that triple saving!

That's exactly what happened in the plant of the Rieser Co., Inc., paper manufacturers, at Shamokin, Pa. As in all paper mills, pulp is mixed with water, sprayed on an endless felt blanket, and processed into paper. The overflow from the blanket is picked up by a pump and raised to the "Save-All Screen" in the top of the mill where the pulp is then reclaimed.

But the old pump at the Rieser Co. . .

good enough some years ago, but now outdated . . . failed to deliver all the water to the "Save-All Screen." About 250 gpm of water and fine pulp was going down the sewer! That was a waste that had to be stopped! And it was stopped . . . with a new, modern Allis-Chalmers pump!

### **Doubles Amount of Pulp Reclaimed!**

Actually, the amount of pulp reclaimed by the "Save-All Screen" has been doubled since the new pump was installed! But that isn't the only saving! The new pump is larger . . . but it uses no more power, pumping 700 gpm for the same cost as 450 gpm.

No longer is water, bought from the local water company, wasted; it's all usable. And this three-way saving . . . power, water, reclaimed pulp...amounts

**THIS IS THE PUMP THAT IS** saving \$200 a month in the paper mill of the Rieser Co., Inc., Shamokin, Pennsylvania. The 3-way saving . . . in power, water, and reclaimed pulp . . . will more than cover the cost of the pump!

to \$200 a month . . . \$2400 a year

That's a real accomplishment! But it's not unusual at Allis-Chalmers! For factories all over the country, Allis-Chalmers equipment is piling up savings . . . big savings that more than pay for the cost of the equipment!

Learn the whole story of why men responsible for production in their plants are switching to Allis-Chalmers. There's an Allis-Chalmers representative . . . trained engineer . . . near you. Let him show you how to cut costs . . . how to save money . . . in your plant . . . with the equipment that pays for itself!

### **PRODUCTS ENGINEERED TO PAY FOR THEMSELVES**

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



# ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

# New Easy Way to Get the Best Quality!

**ONE:** The 1940 Quality Chart shows you clearly which of "All Three" low-priced cars has the most features that mean extra roominess, safety, economy, and value! **TWO:** Take Plymouth's Luxury Ride for thrilling evidence of how much riding comfort and smoothness low price now buys! It's a revelation!

## THE 1940 QUALITY CHART

Comparison of "All Three" Low-Priced Cars with Leading High-Priced Cars in Quality Features

See How Low Priced cars on the 22 features found in cars \$1000-\$1500

Feature	Plymouth	Other Low Priced	Other High Priced
1. Power Windows	YES	YES	YES
2. Power Seats	YES	YES	YES
3. Power Steering	YES	YES	YES
4. Power Brakes	YES	YES	YES
5. Power Locks	YES	YES	YES
6. Power Horn	YES	YES	YES
7. Power Door Locks	YES	YES	YES
8. Power Windows	YES	YES	YES
9. Power Seats	YES	YES	YES
10. Power Steering	YES	YES	YES
11. Power Brakes	YES	YES	YES
12. Power Locks	YES	YES	YES
13. Power Horn	YES	YES	YES
14. Power Door Locks	YES	YES	YES
15. Power Windows	YES	YES	YES
16. Power Seats	YES	YES	YES
17. Power Steering	YES	YES	YES
18. Power Brakes	YES	YES	YES
19. Power Locks	YES	YES	YES
20. Power Horn	YES	YES	YES
21. Power Door Locks	YES	YES	YES
22. Power Windows	YES	YES	YES
TOTAL	22	22	22

MOST LIKE THE HIGH

USE THE "ONE-TWO" WAY  
TO GET YOUR BEST BUY

**1-SEE THE  
QUALITY CHART  
FOR FACTS**  
**2-TAKE THE  
LUXURY RIDE  
FOR PROOF**



Of 22 Important Features found in High-Priced Cars, PLYMOUTH HAS 21...CAR "2" HAS 11...CAR "3" HAS 8

**Y**OU'VE never seen such enthusiastic new Plymouth owners...they're increasing daily by the thousands! More and more people are learning about the 1940 Plymouth's big lead in quality!

This year, high-priced cars resemble each other on 22 important quality features. But of "All Three" low-priced cars,

Plymouth is the only one that gives you a majority of these vital quality features!

See all the facts on the Quality Chart at your Plymouth dealer's. Then take Plymouth's thrilling Luxury Ride. And remember, Plymouth is remarkably easy to buy.

TUNE IN MAJOR BOWES, COLUMBIA NETWORK, THURS., 9-10 P.M., E.S.T.



SEE THE NEW LOW-PRICED PLYMOUTH COMMERCIAL CARS!

## PLYMOUTH BUILDS GREAT CARS





## PERHAPS THE CLUE LIES HERE



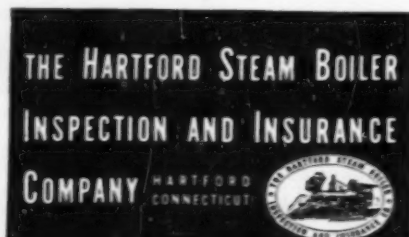
THERE is no telling, in a power-plant, where a symptom of disaster may lurk. The persistent leaking of a boiler seam—a slightly ailing safety valve—a pressure gage that does not tell quite the truth—the first faint crack in an engine shaft tired out by repeated stress... any of these things, and more, can spell "Danger Ahead."

Finding and diagnosing obscure danger signs call for all the professional skill this Company has acquired in 73 years devoted to the single task of safeguarding power equipment. This service is performed by a corps of specialists not matched anywhere else in the world... over 400 field inspectors directed by an engineering staff concentrating exclusively on cause-and-prevention of power-plant accidents.

Far-sighted industrial managements choose Hartford Steam Boiler not only for its financial strength, but for its

effectiveness in reducing the chance of disaster striking them.

• *Hartford Steam Boiler's leadership is evidenced by the fact that the Company safeguards a preponderant part of the nation's insured power equipment; and shop-inspects 90% of its industrial-power boilers during fabrication. Ask your agent or broker why it pays to place your power-plant insurance with the specialist.*



## THIS BUSINESS WEEK



As President Roosevelt this week opened the new budget, always a Pandora's box to this Administration, the federal debt was going through the roof, and another big blob of red ink was in prospect for the 1941 fiscal year. At the same time, Secretary of Commerce Hopkins was making an official statement or two on the case for deficit spending. All of which brings up the broad question of what's going to happen to the government's credit—in the editorial, "But Can the Bond Market Take It?"—page 52.

### What's More

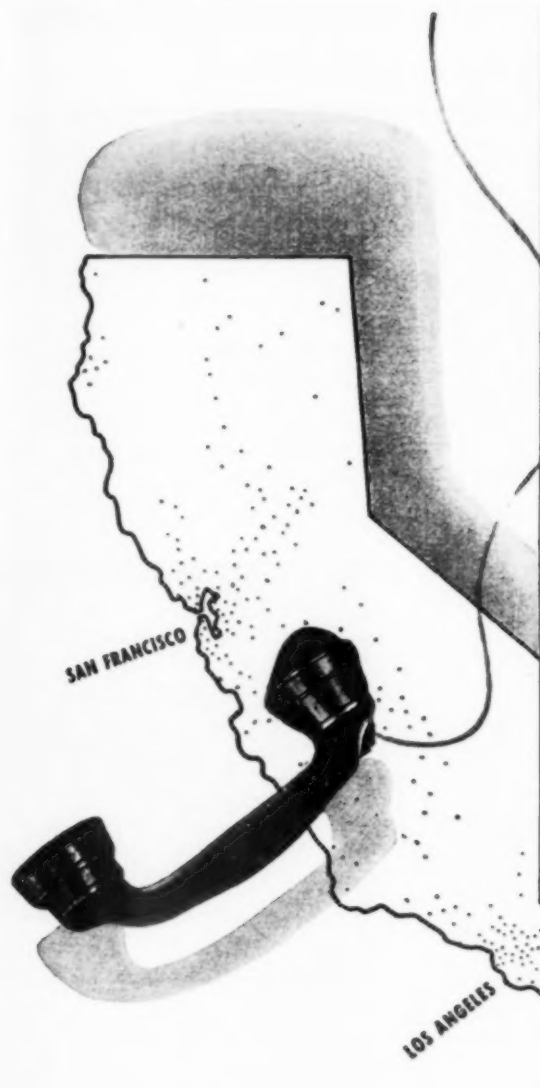
THE BIG ANTI-TRUST CAMPAIGN of 1939 may be even bigger in 1940—if it can get the funds to keep going. Right now it's humming with activity over the "building rackets drive." How that drive is progressing, and what it's accomplished—page 15... Should investment bankers bid competitively for securities which corporations want to sell, or go on, as they have, rendering a continuing service to clients? That argument is on again—and heated to fever pitch this time—page 17... The immigration authorities throw a wrench into the operations of the new Bata Shoe Co. plant in Belcamp, Md.—page 18... In April, 1938, Congress directed the Federal Trade Commission to investigate the auto industry. In June, 1939, the FTC reported its findings, made its recommendations to Congress. Now the first printed record of the full facts in the investigation appears—page 22.

BUSINESS WEEK • JAN. 6, 1940 • NUMBER 540

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A MCGRAW-HILL PUBLICATION





*Condensed Statement of Condition  
December 30, 1939*

**RESOURCES**

Cash in Vault and in Federal Reserve Bank . . . . .	\$ 159,684,750.15
Due from Banks . . . . .	88,581,164.01
Securities of the United States	
Government and Federal Agencies . . .	434,691,060.77
State, County and Municipal Bonds . . .	130,542,539.24
Other Bonds and Securities . . . . .	36,245,071.32
Stock in Federal Reserve Bank . . . . .	2,790,000.00
Loans and Discounts . . . . .	711,054,696.57
Accrued Interest and Accounts Receivable	7,359,920.15
Bank Premises, Furniture, Fixtures and Safe Deposit Vaults . . . . .	31,530,765.10
Other Real Estate Owned . . . . .	7,182,032.53
Customers' Liability on Account of Letters of Credit, Acceptances and Endorsed Bills . . . . .	18,281,457.98
Other Resources . . . . .	642,819.95

**TOTAL RESOURCES \$1,628,586,277.77**

**LIABILITIES**

Capital . . . . .	\$ 50,000,000.00
Surplus . . . . .	44,000,000.00
Undivided Profits . . . . .	22,845,841.75
Reserves . . . . .	2,007,523.83
Reserve for Interest, Taxes, Etc. . . . .	391,657.92
Reserve for Interest Received in Advance . . . . .	7,733,706.57
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills . . . . .	18,815,871.91

**DEPOSITS:**

Demand	\$ 642,792,093.41
Savings and Time	839,999,582.38 1,482,791,675.79

**TOTAL LIABILITIES \$1,628,586,277.77**

*This statement includes the figures of the London, England, banking office: 12 Nicholas Lane, E.C. 4.*

## TO SERVE YOU IN THE WEST'S GREATEST MARKET ... 495 branches linked by telephone

It takes only a moment to telephone from San Diego to San Francisco, from Los Angeles to Eureka. For practical purposes the 495 branches of Bank of America—each a complete banking unit—are no farther apart than the officers in a single bank. But the 8,900 officers, branch managers, tellers and other employees of Bank of America form a California-wide organization of unique service value to business executives and bankers everywhere who may be eager to develop their interests in the West's greatest market. Your inquiries directed to Bank of America will receive prompt attention.

**BANKING THAT IS BUILDING CALIFORNIA**

# Bank of America

**NATIONAL TRUST & SAVINGS ASSOCIATION**

*Main Offices—San Francisco and Los Angeles*

**CALIFORNIA'S ONLY STATEWIDE BANK**



## How To Help Your Employees Who Need Loans

**Y**OU would hardly expect an employee who can't pay his bills to do his best work. Yet most workers have at some time unusually large bills—hospital care, traveling expense, taxes, for instance—which they can't pay out of current income or savings. Then they must borrow or fall behind. But where can they borrow?

### Loans for workers

From your company? Your directors probably feel that the company cannot finance the emergency needs of all its workers. From a bank? Banks commonly require collateral which wage earners seldom own, or co-makers they can't readily get. From their friends? Friends usually need all they make for their own expenses.

To make loans to wage earners is the job of Household Finance. At Household responsible workers can borrow \$20 to \$300 on their character and earning ability. No endorser or bankable collateral is needed. No wage assignment is taken. Borrowers obtain their loans on terms which wage earners can readily meet.

How do they repay? In convenient monthly installments. Thus they can get out of debt without sacrifice of living standards. Each borrower may choose the payment plan which best fits his own situation and income. The table below shows sample loans and payment plans.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in New York and nine other states. Due to local conditions, rates elsewhere vary slightly.

### Borrowers learn to stretch dollars

Last year Household made over 800,000 loans to families faced with emergency money problems. To these borrowers Household also gave help in money management and better buymanship, showed them how to get more out of limited incomes. Household's practical booklets developed for this work are now used as texts in hundreds of schools and colleges.

Wouldn't you like to know more about this service for your employees? The coupon will bring detailed information. No obligation!

## HOUSEHOLD FINANCE

**CORPORATION and Subsidiaries**  
Headquarters: 919 N. Michigan Ave., Chicago  
"Doctor of Family Finances"

one of America's leading family finance organizations, with 266 branches in 170 cities

HOUSEHOLD FINANCE CORPORATION, Dept. BW-A  
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name .....

Address .....

City ..... State .....

## NEW BUSINESS

### Cook with Ice?

**THE ICE INDUSTRY'S DILEMMA**, a shrinking market, has been thrown into sharp relief by recent experiments of the Geyser Ice Co., Waco, Texas. Company has investigated cooking with ice as part of a program to find new uses for their product. Since Geyser's ice contains less minerals than Waco's city water supply and is free from chlorine, researchers claim that coffee made with melted ice has a better bouquet and flavor than the tap water type. Ditto for soups and vegetables. Company officials are careful to say that electric refrigerator ice cannot be substituted for manufactured ice because the latter is purified during freezing process.

### Square D-Kollsman Merger

**WITH THE PURCHASE** last week of the \$4,000,000 Kollsman Instrument Co. of New York, the Square D Co. of Detroit and Milwaukee not only secures a prominent position in instruments for aviation, but 200 Kollsman patents which may find wide application in the Square D electrical equipment line. F. W. Magin, Square D president, has also negotiated a ten-year option on all of the inventions of Paul Kollsman, who founded Kollsman Instrument Co. in 1928 with a cash capital of \$500.

### Pine Newsprint

**THE FIRST PAPER MILL** in the United States to use Southern pine pulp to make newsprint—the Southland Paper Mill near Lufkin, Tex. (BW—Jun 10 '39, p. 35)—is scheduled to be in production early this month. Keeping the business strictly Dixie, newspapers in the South have signed up for all the mill can produce in the next five years.

### Our Times

**COAXIAL CABLE** is being laid between Minneapolis and Stevens Point, Wis., 200 miles apart. The installation marks the first commercial utilization of a telephone cable which can carry 480 simultaneous conversations. Talk isn't jumbled because separate frequencies (up to 2,000,000 cycles) are used for transmission of each call. Engineers experimented with a coaxial cable from New York to Philadelphia in recent years. It was never used for business purposes and has been dismantled.

Deep trolling fishing line with a lead core has been developed for sportsmen by the Ashaway Line and Twine Mfg. Co., Ashaway, R. I. Lead line will not kink, curl, or twist, and is heavy enough to submerge a lure without a sinker, according to the company.

Remember when state speed limits

were 45 m.p.h. and under? Minnesota and Wyoming legislated prima facie speed limits of 60 m.p.h. in 1939. To exceed the prima facie limit is unlawful unless the motorist can prove, if arrested, that his speed in excess of the limit was "reasonable and prudent" for existing conditions.

### Spotlight Minor Crop

**TANGERINE DISPLAY** in a transparent container is one of the key units in an intensive promotion of the easily-peeled fruit by the Florida Citrus Commission. Basket was made from Monsanto Vupack, a cellulose acetate, by Arthur Kudner, Inc. The commission has concentrated on



Florida oranges and grapefruit in the past, tangerine production being only 10% of the size of the orange crop in 1938, and amounting to 14% of grapefruit production. The Department of Agriculture estimates 2,900,000 boxes of tangerines were grown in 1939, down 500,000 boxes from the '38 figure.

### Export Corp. Reports

**A YEAR-END REPORT** on the Universal Trading Corp. shows the company has spent \$14,490,000 of the \$25,000,000 loaned to it by the Export-Import Bank in January, 1939. Universal has repaid \$2,325,000 through the sale of Chinese tung oil in the United States.

### Plumbers Cash In

**DUE TO THE PROLONGED DRY SPELL** in the Middle West (BW—Nov 18 '39, p. 16), many Kansas hardware stores, plumbers, and contractors have been picking up some extra business. Thousands of home owners in the state have installed lawn sprinkling systems in the last few years and golf clubs have been buying fairway watering systems—some costing as much as \$40,000. The state agricultural department is acting as a general consultant on methods of drought control.

# WASHINGTON BULLETIN

**WASHINGTON (Business Week Bureau)**—Congress waits for a new rabbit out of the Roosevelt hat. It believes the President is awaiting the psychological moment, having more time in which to turn 'round than in normal Presidential years, because the conventions are being held later than usual. You can be sure that, with his often demonstrated resourcefulness, Roosevelt is not going to make his fight to dominate the Democratic convention and win the election either for himself or a hand-picked successor on the issues stated in his opening message to Congress.

## Big Fight on Trade Treaties

HIS DEFENSE of reciprocal trade treaties, not only on their economic merits but also because of their social value as a barrier to war was expected. It has been realized for weeks that renewal of the agreement-making power would be one of the tough fights this session.

His argument that this government must take the leadership in the drive for world peace for selfish as well as humanitarian reasons is the logical follow-up to his sending an emissary to Pius XII.

## Nothing New for New Deal

THE MESSAGE contained nothing new on which to carry the New Deal forward for the simple reason he doesn't want to inject any new, controversial issue now. Because "national defense" has worn thin as a theme on which to base the Administration's welfare, the President makes little use of it, except to cover up a little on continuing deficits. Even this point is discounted by his proposal that Congress should tax to meet the cost of increased defense spending.

## Won't Okay Budget Cuts

IF CONGRESS complies with Roosevelt's budget and tax proposals, it won't be necessary to raise the \$45,000,000,000 statutory debt limit—but Congress won't be amenable. By close figuring the President submits an \$8,424,000,000 budget for 1941. That would hold the deficit down to \$2,176,000,000 as compared with an estimated \$3,933,000,000 this year. To accomplish this feat, Roosevelt has resorted to recapture of \$700,000,000 of excess capital funds from various government corporations and again excludes any appropriation for farm parity payments. The deficit would be further reduced to \$1,716,000,000 if Congress saw fit to levy \$460,000,000 of additional taxes, preferably collectible in the same year, to cover the recommended emergency defense expenditures.

## Watch the Logan Bill

PAY ATTENTION to the Logan-Walter bill. Supremely important to business because it would require quasi-judicial government agencies, such as NLRB and SEC, to stick to fixed rules of procedure, the bill is very likely to pass this session. Sen. Hatch is toying with the idea of making it a *cause célèbre* like that which forced the Administration to accept the Hatch law barring federal jobholders from political activity.

Despite the death of the Senate sponsor, Logan of Kentucky, the present bill has strong support in both houses. Rep. Walter claims 280 House votes, counts on the current NLRB inquiry to deliver more.

## How Agencies Keep Books

IN LINE with this move to hamstring the Administration, look also for an expo-

sure of the financial practices of New Deal agencies. Ordered by Sen. Byrd's economy committee, a report by the Treasury on the financial status and accounting methods of various federal corporations and credit agencies will raise a hullabaloo when released. The upshot probably will be legislation, along lines to be proposed by Rep. Wolcott of Michigan, to require annual accounting.

Treasury officials say privately that their inquiry will show that several agencies which keep their own books resort to practices which would get private concerns into trouble.

## Central Buying Agency

STILL GINGERLY fingering its White House assignment to do all the government's non-military buying, the Treasury Department's procurement division is purchasing no more today than it did seven months ago when a Roosevelt order directed the shift as an economy move.

Budget difficulties have blocked the shift, but Harold Graves, one of Secretary Morgenthau's assistants, is angling for more money and personnel to make the procurement division a truly central purchasing agency.

## Identical Bidding

THE ADMINISTRATION hasn't yet put its finger on any one sure way to break up identical bidding on government contracts, but a symposium by the Temporary National Economic Committee has elicited numerous comments and suggestions from federal agencies indicating that the constant irritation caused by this situation may react strongly against business interests.

Investigation of "suspicious circumstances" by a central authority estab-

## Out to Bust the Building Trust



Acme



Harris & Ewing

Harris & Ewing

Acme

The antitrust division of the Department of Justice had a busy year in 1939, but 1940 is likely to be even busier, starting out as it does with the big "building rackets drive" (see

page 15). Thurman Arnold (left), Assistant Attorney General, directs the drive, assisted by such capable lieutenants as (l. to r.) Hugh Cox, Corwin Edwards and Wendell Berge.



# APARTMENTS PROVIDE BETTER HEATING FOR \$377 LESS PER YEAR

**Webster Moderator System Helps  
Baltimore Apartment Buildings  
to Assure Tenant Comfort**

**REQUIRES 40 P.C. LESS COAL**

**Some Apartments Formerly Cold  
and Others Hot, But Now All  
Are Comfortably Heated**

**WEBSTER TRAPS ON RADIATORS**

Baltimore, Md.—Two Baltimore apartment buildings, heated from a single stoker fired coal-burning boiler plant, saved \$377.99 in the first year with a Webster Moderator System, a 40 per cent reduction in heating costs.

The Belnord and Biltmore Apartments installed the Webster Moderator System in 1938 to give tenants more even heat distribution. Some apartments were formerly too cold while others were too hot.



Belnord and Biltmore Apartments, Baltimore, Md.

Leonard Wertheimer, president of the Biltmore Apartment Co., Inc., owners of the two buildings, says:

"The heating of each apartment is admirably provided for with the Webster Moderator System."

The heating installation was made by Wallace Stebbins Co., Baltimore heating firm. There is a total of 3,788 square feet of installed direct radiation. New Webster Thermostatic Traps were installed on 98 radiators as part of the modernization program.

## LOW HEATING COST

GET THIS BOOK... Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Representatives in 65 principal U. S. Cities—Est. 1888

lished for the purpose is a proposal that doesn't sound sweet to the ear. No more pleasing are proposals for fixing maximum limits on purchase prices at "reasonable figures" and specifying available substitutes for materials subject to patents "or other monopolistic controls." It bodes no good for trade associations to have the opinion broadcast that they tend to foster practices which bring about tie bids.

TNEC's survey reveals that in one year (December 1937–November 1938) identical bids were received on nearly 25% of all government purchases in number of items, 10% in dollar volume.

### Wanted: NLRB Compromise

ADMINISTRATION LEADERS in the House want Roosevelt to compromise the NLRB issue. They are telling him that he can short-circuit the investigation of the board (on which the Smith committee has plenty more dirt), and avoid the risk of more drastic amendments by coming through now with amendments of his own.

The House managers favor increasing the board from three to five, to provide for regional representation, and reducing the disruptive effects of the law through mediation, with a compulsory waiting period before a strike becomes effective, somewhat after the pattern of the Railway Mediation Act.

### NLRB Wins Three More

THREE MORE Supreme Court decisions approved as many National Labor Relations Board rulings this week, and from one of them further repercussions are due. This is the approval of C.I.O. as industry-wide bargaining agent for the Pacific Coast longshoremen. A.F.L. is raging mad at NLRB for this one, claims it has the majorities in Tacoma and three minor ports of Olympia, Anacortes, and Port Angeles. Furthermore, William Leiserson of the NLRB thinks the board blundered on this one, and has held in later cases that local majorities should rule.

NLRB also was upheld in ordering abandonment of a company union at Falk Corp., and in ordering a re-election among employees of Consumers Power Co. with A.F.L. off the ballot after it had almost, but not quite, equalled the C.I.O. vote (BW—Oct 14 '39, p. 49). Lower courts were overturned in both decisions.

### Patman Act Backfire

THE SUPREME COURT may have refused to review the Robinson-Patman case involving the Great Atlantic & Pacific Tea Co.—thus upholding the Federal Trade Commission's cease-and-desist order—but the food brokers who fought to put the law on the books are likely to find their victory a hollow one.

The R-P law forbids price discriminations. A. & P. buys direct from manufacturers, claims that it performs the serv-

### Big Reshuffle in Radio

REALLOCATION of broadcasting facilities affecting between 650 and 700 of the 814 radio stations in this country is the huge task now confronting the FCC as a result of the surprise ratification by the Mexican Senate of the North American broadcasting agreement adopted at Havana in December, 1937.

Under the agreement, previously ratified by the United States, Canada, and Cuba, all broadcasting stations on frequencies above 710 k.c. will be shifted upward from 10 to 40 k.c. from their present channels, and stations on 1500 k.c. will be moved down to 1490 k.c. The FCC hopes to complete the allocations in six to eight months. Under the agreement, Mexico will eliminate the high-powered stations operated just across the border by Americans, which have been interfering with stations in this country.

ices customarily rendered by a broker and is entitled to a brokerage commission or its equivalent in a cash saving on purchases. But the Big Court has now said no.

There will be two immediate results, say opponents of the law. First, big distributors are going to do a lot more of their own manufacturing and canning. Second, big distributors are going to put increasing pressure on their principal suppliers to eliminate brokers. By confining sales to one class of buyers—mass distributors—manufacturers can give a "net" price to all without any price discrimination.

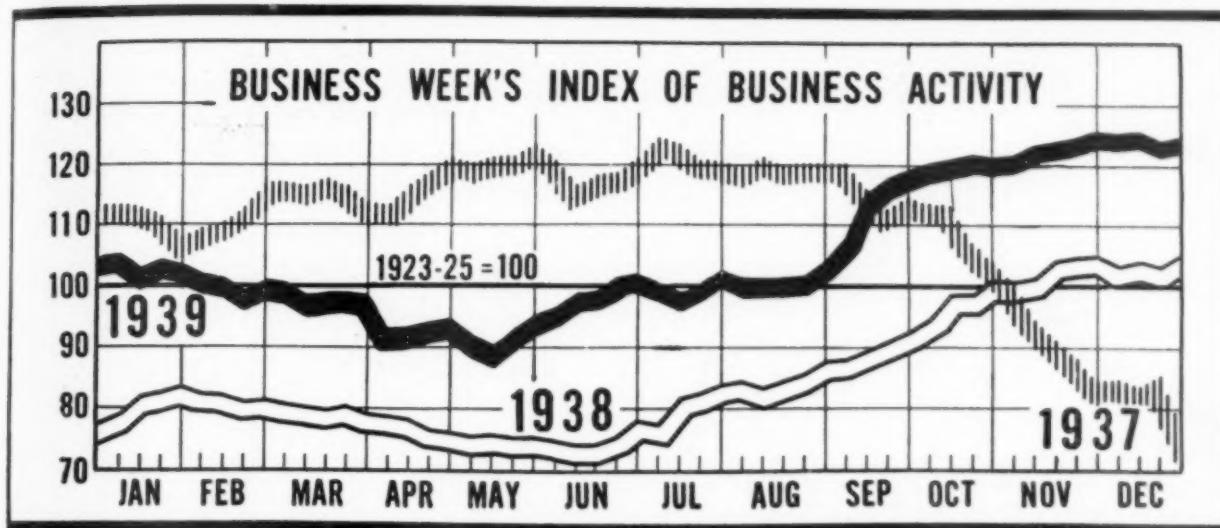
### K. C. War gets Hotter

LATEST ENTRANTS in the border war between Kansas City, Missouri, and Kansas City, Kansas, over rival food terminals (BW—Dec 30 '39, p. 12) are (1) Interstate Commerce Commission which late last week obtained a temporary order restraining Kansas City, Kansas, and the Union Pacific Railway from offering concessions to lure produce dealers from their old market center in Kansas City, Missouri, and (2) the Department of Agriculture which is urging the ICC to refuse permission to the four railroads that use the Missouri terminal to make a million dollars worth of improvements.

Secretary Wallace contends that Greater Kansas City cannot support two large food terminals and suggests abandonment of the Missouri facilities in favor of Kansas's new \$4,000,000 terminal.

Having made loans to two of the four railroads interested in the Missouri terminal improvements, Reconstruction Finance Corp. might take chips in the game.

## THE FIGURES OF THE WEEK



## THE INDEX.....

## PRODUCTION

★ Steel Ingot Operations (% of capacity).....	85.7	73.7	92.8	38.5	50.7
★ Automobile Production .....	89,365	117,705	93,638	70,663	75,215
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,351	\$4,519	\$4,530	\$4,520	\$3,786
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$8,457	\$8,275	\$11,274	\$7,627	\$13,332
★ Electric Power Output (million kilowatt-hours).....	2,404	2,641	2,539	2,300	2,121
Crude Oil (daily average, 1,000 bbls.).....	3,545	3,868	3,289	3,463	3,204
Bituminous Coal (daily average, 1,000 tons).....	1,496	11,451	1,767	1,083	1,400

Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*125.2	†124.3	125.7	101.4	105.0

## TRADE

★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	69	73	76	68	62
★ All Other Carloadings (daily average, 1,000 cars).....	40	40	45	39	38
Check Payments (outside N. Y. City, millions).....	\$4,629	\$5,003	\$4,100	\$4,366	\$3,937
Money in Circulation (Wednesday series, millions).....	\$7,663	\$7,679	\$7,462	\$6,962	\$6,912
Department Store Sales (change from same week of preceding year).....	+13%	+6%	+8%	+3%	+13%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	169.1	169.6	161.0	143.2	143.7
Iron and Steel Composite (Steel, ton).....	\$37.10	\$37.10	\$37.26	\$35.72	\$36.36
Scrap Steel Composite (Iron Age, ton).....	\$17.67	\$17.67	\$18.25	\$14.71	\$14.92
Copper (electrolytic, Connecticut Valley, lb.).....	12.500¢	12.500¢	12.500¢	10.000¢	11.250¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.01	\$1.04	\$0.86	\$0.70	\$0.71
Sugar (raw, delivered New York, lb.).....	2.81¢	2.90¢	2.95¢	2.90¢	2.84¢
Cotton (middling ½", ten designated markets, lb.).....	10.82¢	10.64¢	9.73¢	9.41¢	8.61¢
Wool Tops (New York, lb.).....	\$1.154	\$1.160	\$1.162	\$0.842	\$0.846
Rubber (ribbed smoked sheets, New York, lb.).....	19.07¢	20.40¢	20.06¢	16.40¢	16.35¢

## FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.76%	5.75%	5.66%	5.70%	5.86%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.30%	2.32%	2.38%	2.19%	2.48%
U. S. Treasury 3-to-5 year Note Yield.....	0.47%	0.49%	0.60%	0.43%	0.66%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	¾%
Business Failures (Dun & Bradstreet, number).....	136	200	200	233	236

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	18,720	18,923	18,972	17,220	15,986
Total Loans and Investments, reporting member banks.....	23,260	23,465	23,159	21,951	21,649
Commercial and Agricultural Loans, reporting member banks.....	4,400	4,406	4,381	3,833	3,843
Securities Loans, reporting member banks.....	1,221	1,362	1,159	1,191	1,408
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,162	11,166	11,121	10,571	9,998
Other Securities Held, reporting member banks.....	3,340	3,367	3,382	3,291	3,221
Excess Reserves, all member banks (Wednesday series).....	5,050	4,900	5,140	4,243	3,072
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,568	2,645	2,605	2,567	2,610

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	121.9	120.6	119.3	106.1	129.8
20 Railroads, Price Index (Standard Statistics).....	32.1	31.3	31.6	25.7	34.1
20 Utilities, Price Index (Standard Statistics).....	70.0	68.4	68.5	64.6	65.8
90 Stocks, Price Index (Standard Statistics).....	99.7	99.4	97.7	87.1	104.5
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	994	814	678	488	1,509

★ Factor in Business Week Index. \* Preliminary, week ended Dec. 30th. † Revised. ‡ Date for "Latest Week" on each series on request.



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January 6, 1940

## THE BUSINESS OUTLOOK

**Situation calls for decision on whether to hold high production rate for benefit of first-quarter profits or even it out to assure better-balanced half-year. Automobiles will exert strong pull against early decline.**

BUSINESS THIS WEEK was still dominated by holiday influences; so much so, indeed, that the immediate business trend was obscured. With banks, markets and many plants closed for both Christmas and New Year's, some intuitive (rather than statistical) allowance has to be made for a hidden effect on industrial activity, even in such industries as steel, which do not normally take time out to celebrate the New Year.

So, before taking positive bearings, it is well to await the statistics of the next few weeks—statistics which will not have to be mentally corrected for year-end unsettlements. Already, however, there are some tentative suggestions that the expected decline is under way. In the steel industry, this week's operating rate at 85.7% of capacity was considerably below the pre-holiday level of 90.0%, permitting the inference that steel manufacturers are just a little bit leery of recent high schedules. But it's wise to await next week's American Iron and Steel Institute estimate for corroboration of the downtrend.

### How Far Will It Go?

Ideally, the immediate problem for the business man and the business analyst—now that the year-end generalities are out of the way—is to gauge how soon a tapering off of business will come (if it has not already started), and from there to go on and determine how long it will last and how far it will go. Unfortunately, it is easier to state the problem than to solve it. Future recessions are not susceptible of precise measurement either as to duration or depth.

And, at the moment, with backlogs in many industries higher than they have been since the spring of 1937, it is extremely difficult to predict what business men are likely to do. Certainly, orders on their books would warrant continuing current high operating levels into February and possibly even into March. That policy offers an immediate percentage. Axiomatically, a high production rate means a lower overhead cost per unit of output. So, from a profit-producing standpoint, a bang-up first-quarter production rate would seem to be in order.

But the manufacturer must also weigh the short-term gain against the long-term consequence. He knows that if he worked off his backlogs, and new orders failed to come in, his operating rate in the second quarter would be bound to suffer. And then, his overhead cost per unit of output would rise. In which event, good first-quarter results would be offset by not-so-good second-quarter profits. And in addition, there might arise the problem of large and disrupting layoffs in the months of April, May and June.

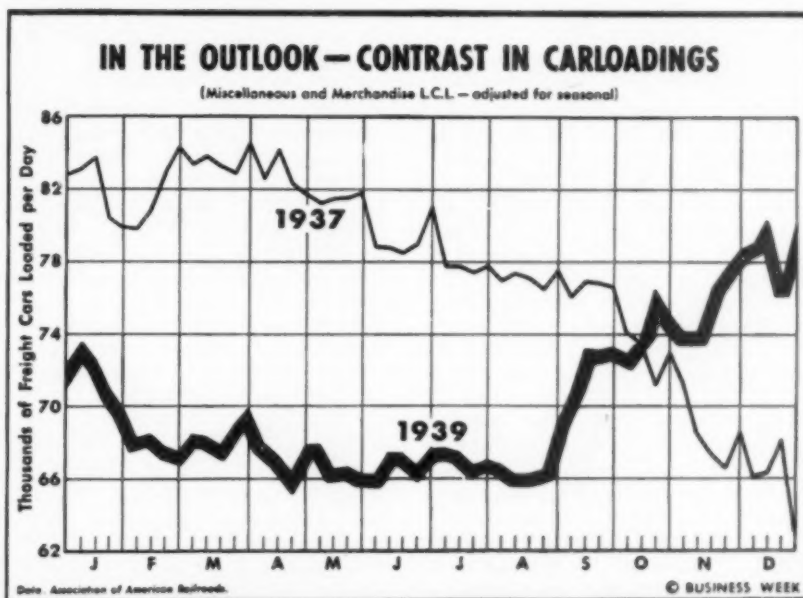
### First-Half Profits

Thus, it seems logical to expect that most business men will compromise between high profits in the first quarter and low profits in the second quarter for

better-balanced profits in the half year. In a sense, it will be a process of spreading profits and work.

The automobile industry, however, is likely to exert a strong upward pull against a severe decline—especially in the first three months. Despite a record-breaking fourth quarter output, leading manufacturers—Ford, General Motors and particularly Chrysler because of its strike—are far behind in deliveries. (Customers have been forced to wait for cars and dealers have been running up long-distance telephone bills calling the factories.) But probably toward the end of March—unless retail sales spurt unexpectedly—the manufacturers will be caught up and then, with the pressure off, output will tend to conform closely with actual dealer orders. At which time, automobile sales to consumers will become a highly suggestive business statistic.

There is one bit of business-cycle lore worth bearing in mind at this juncture—that is, that good business inevitably creates internal tensions, which have to be



As an indicator of what's happening to business generally, carloadings have lost some statistical caste because of truck competition. But miscellaneous and merchandise less-than-carlot freight figures still provide a pretty good idea of what's happening in the field of ultimate

consumption—showing as they do the movement of goods to wholesalers and retailers. It's important right now that this merchandise freight has started to spurt after the Christmas rush. The strong uptrend of the last four months of '39 makes a nice contrast with the tag end of '37.

corrected. And right now business is in the process of creating such tensions. The BUSINESS WEEK Index, although not at a new all-time high, ended the year at the nice round figure of 125.0. In only 12 months of its 20-year history has this Index attained that level, and that in-

cluded 10 months of 1929. In October, 1928, after the Index rose to 126.0, it promptly receded to 120.5 before climbing again to new high levels in 1929.

When business (or the stock market) climbs into new high ground, some reaction frequently follows. In the course of

expansion, business tends to run to temporary excesses: Inventories are built up, or plant capacity is taxed, or skilled labor becomes scarce, or competition (because of big profits) becomes intensified. Some of these business tensions are becoming evident, suggesting a reaction to come.

## The Regional Business Outlook



61,345 sq. mi. pop. 8,178,000

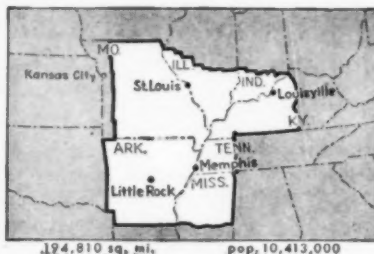
**BOSTON**—The business tone is changing here. A month ago (*BW*—Dec 2'39, p14) New England manufacturers were in an expansive frame of mind. They had the courage of big backlogs and felt justified in maintaining large production schedules. And though no sharp decline in employment and payrolls is immediately in prospect, business men are now concerned lest they may have pitched their early expectations too high, because for the third consecutive month production has outrun new orders.

### Putting Off the Drop

Clothing makers, for instance, are not making early commitments for winter woollens, despite excellent current sales. In the shoe trade, orders for spring styles have been laggard—presumably because retail stores have not moved recent stocks. And though last month's renewed buying spurt brought in sufficient orders to keep cotton mills busy into February, that merely puts off the date of the decline.

Durable goods producers, however, are still busy. The foundations of current activity are two: past orders and hopes for continued armament demand, either from Europe or this government. Connecticut, seat of the metal and machinery trades, is experiencing a marked upturn in department store sales. Indeed, Hartford is the bright spot of the district; expanding airplane production is bringing new industrial construction and employment. In New Haven, Conn., and Worcester, Mass., also, new plants and new residences are going up.

Of long-term industrial importance is this re-industrialization of New England. Floor space, formerly occupied by emigrant cotton textile and shoe plants, is now being put to new uses in many places.



124,810 sq. mi. pop. 10,413,000

**ST. LOUIS**—Before Christmas, unusually mild temperatures stimulated shopping but cut down on sales of cold weather merchandise—furs, heavy overcoats and so on. Now, the drop in the thermometer has recreated consumer demand for coatings and mufflers, and merchants have benefited from this new burst of buying.

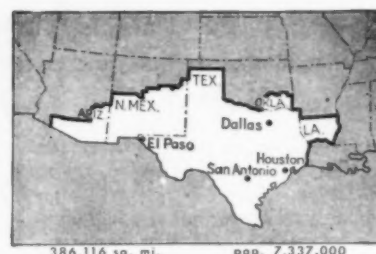
As yet, the nationwide drop in new orders has not hit this Reserve district perceptibly. The drop in steel output has yet to be felt severely; and possibly because steel operations were late in reaching their recent high, so also the decline may be tardy. In coal mining, expansion is still under way. The cold spell increased demand, and employment jumped in the mining sections of southern Illinois, southern Indiana, and western Kentucky.

The opening of the tobacco auctions in Lexington confirmed BUSINESS WEEK's expectations of a low price and low income (*BW*—Dec 2'39, p14), but a sharp spurt in demand for Kentucky bourbon whisky has been something of an offset. Of the 60 distilleries in Kentucky, 30 are currently operating—an increase of 8 compared with a month ago.

### Farmers Well Off

In southern Illinois, where producers are not being held down by any state commission, oil output continues to expand without too much regard either to price or demand. But the effect on business is good, creating as it does employment and new construction.

Farmers, here, are fairly well off. They've not been badly hit by the drought, and occasional rains have provided sufficient subsoil moisture to promise good spring plantings. Hence, all in all, it's easy to see why merchants are fairly optimistic for 1940.



386,116 sq. mi. pop. 7,337,000

**DALLAS**—Post-Christmas clearance sales are scarcer than usual this year. Despite the persistence of the drought, consumers have been in a buying frame of mind, and this week merchants, instead of trying to push stocks, are busy re-ordering.

The full effects of the subnormal rainfall, however, are yet to be felt. Already, as indicated earlier (*BW*—Nov 4'39, p14), premature livestock marketings have been forced by lack of feed, while severe damage has been done to winter wheat and oats. Recent rains have made only partial restoration.

### Bollworm Moves Up

Lack of subsoil moisture is hardly bullish on plantings of the major spring crops—corn, grain sorghums, and—more important—cotton, the mainstay of this area. As a longer-term influence, moreover, the spread of the pink bollworm into this territory is causing some alarm among cotton farmers. For two decades, this cotton enemy has been confined along the Rio Grande, but now has spread over a wide area below San Antonio.

In the industrial areas, the outlook is more hopeful. Cotton textile mills, clothing factories, food industries, and building materials manufacturers have been operating on schedules well above last year. And the upward trend in the demand for fuel oil has even kept the petroleum industries busy; but the resulting accumulation of gasoline inventories has been disquieting to the price structure.

Urban relief problems have been somewhat complicated of late by two agricultural trends: (1) the increased use of machinery, (2) decreased acreage under AAA. As a result, there's been a drift of farm workers, sharecroppers, and tenants to the cities.

The Regional Outlook surveys each week three of the twelve business areas of the country.

## Building Trust-Busters Eye 1940

**Arnold's big worry is getting funds from Congress, with A.F.L. lobbying against him. Business attitude hasn't crystallized, but some fear drive deters buyers.**

IF IT GETS the funds to go on, the big antitrust drive of 1939 bids fair to become the bigger antitrust drive of 1940.

Booming along under the banners of the Sherman and Clayton laws, the antitrust division of the Department of Justice now employs 180 lawyers—an army compared to the five legal aides engaged in Teddy Roosevelt's famous "trust-busting" campaign. And of these, from 75 to 80 are now busy on what is popularly called the "building rackets drive"—the division's best bet as a headline-builder for '40.

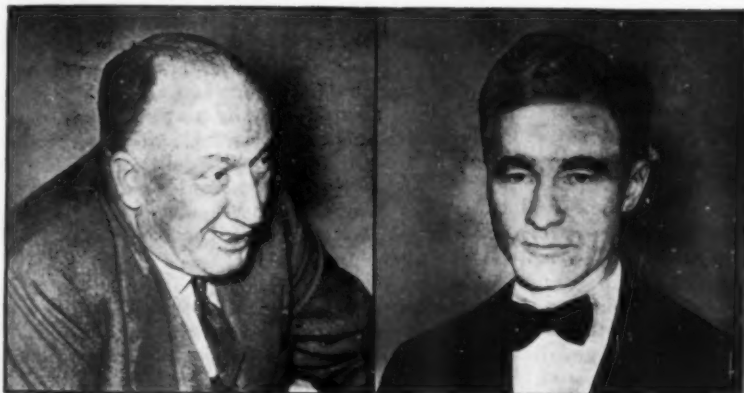
Divided into crews of six to eight, they are ranging through the records of a dozen cities, ferreting into the activities

of labor unions, materials manufacturers and handlers, distributors, contractors, and all the other agencies connected with construction. They already have obtained 12 formidable indictments of individuals, corporations, labor unions, and business associations in eight cities (see box) and are hot after more as the job starts up again after the holiday-season interruptions.

### Arnold's Sticking Around

In Washington sits Thurman W. Arnold, running the show as Assistant Attorney-General of the United States. Answering rumors that he may go back to Yale, where he used to be a professor

## Cracking Down on Construction Labor



In St. Louis, William Hutcheson (left), general head of the carpenters' union, was tagged by U. S. District Attorney Roscoe T. Steffen.



In San Francisco, Daniel J. Tracy (left), international president of the electrical workers' union, was tagged by James V. Hayes.

### Who Has Been Indicted —Where and Why

NEW YORK—NINE FIRMS and 10 individuals, charged with collusive bidding on WPA projects, resulting in an overcharge of \$167,000 on electrical fixtures.

Also, one association, eight corporations, and 12 individuals charged with illegally maintaining uniform prices, resulting in a 35% price advance for sand and 20% for gravel in one month.

Detroit—Two unions, eight manufacturers, three contractors' associations, and 35 individuals, charged with unlawful combination to prevent shipment of tile to non-member contractors and to prevent the setting of any tile handled by manufacturers, jobbers, and contractors not party to the agreement.

Also three manufacturers, 10 wholesalers, and 19 individuals charged with illegally fixing prices on electrical supplies for approximately 75% of the Detroit market.

Cleveland—Three corporations, one association, and 10 individuals, including five members of a glaziers union, charged with intimidating competitors, using a system of bribes and payoffs, elevating prices artificially, and preventing competition.

Pittsburgh—Thirteen electrical manufacturing and supply firms and 45 individuals, including three top officials of the local electrical workers union, charged with conspiring to rig bids on federal building projects, defrauding the government, and using intimidation, bribes, strikes, fines, penalties, threats of personal injury to enforce identical bidding.

St. Louis—The carpenters union and four of its officials, including the international president, charged with conspiring to restrain trade, preventing members of the machinists union from working, and boycotting the product of a company involved in a jurisdictional dispute.

New Orleans—Four corporations and 13 individuals in a contractors association, charged with conspiring to defraud the government and unlawfully diverting federal funds. Not a Sherman Act case.

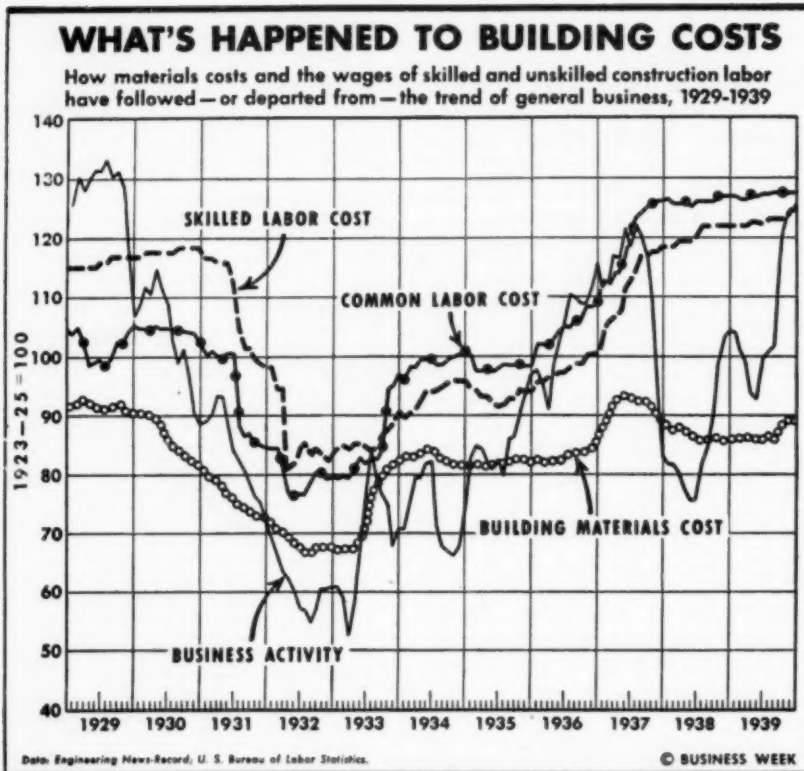
Also, one corporation and a sheet metal association, charged with collusive bidding, and artificially maintaining prices.

One association, eight corporations, and 17 individuals handling some 80% of the local electrical business, charged with fixing prices illegally and conspiring to eliminate competition and to share profits under a "joint venture agreement."

San Francisco—Ten corporations in the electrical business, the contractors association, the bid depository, two locals of the electrical workers union, and 36 individuals, including union's international president, charged with unlawfully increasing and regulating bids submitted to general building contractors.

Washington, D. C.—The teamsters union and five of its officials, charged with illegally restraining trade through strikes, and threats of strikes, to compel concrete companies to breach contracts with the union of operating engineers and employ teamsters union men instead.





of law, Arnold says: "Hell—I've resigned from Yale! I'm sticking around here as long as they want me to."

Arnold and his handpicked assistants have been going places since he told the Temporary National Economic Committee last July 7 that "for the first time antitrust enforcement on a nationwide scale is a possibility."

#### Not All Small Fry

Many of the manufacturers, jobbers, contractors, and others being hauled up in Arnold's net are small fry, and most of the union members named in indictments to date are unknown nationally. But the list includes William Hutcheson, perpetual big boss of the carpenters' union, and Daniel Tracy, international head of the powerful electrical workers' union.

Most of the business names are unknown outside their own localities, too, but in one of the Detroit indictments appear the names of General Electric, Westinghouse, and Graybar—the biggest there are in the electrical manufacture and supply field.

More indictments are to come. For the time being no additional action is expected in New York or Pittsburgh, but the Department of Justice men are still working overtime in Detroit. In Chicago, sensations are expected about mid-January. An investigation of lumber is on the way, with locale probably somewhere in the South.

Ordinarily, the next step after indictment is formal prosecution. No trial has

been scheduled to date in the building cases and some of them may be settled by dissolution of the combinations which the division calls illegal. Some dissolutions have already occurred, after preliminary investigation by Arnold's men. A bid depository in Washington, D. C., was knocked out by a consent decree; in Pittsburgh another decree ended a combination in heating, piping, and air conditioning work.

The antitrust division proudly cites Pittsburgh as an example of what might be expected elsewhere. Here are some samples from its dossier on the steel city: A local housing project asked for bids last April on an estimated \$1,600,000 job, couldn't get any lower than \$1,900,000, readvertised and got a low of \$1,687,000 which it finally accepted. Then the Department of Justice men got busy and the local press began a series of stories attacking building costs. A second housing project asked for bids on a job which architects estimated at around \$3,300,000—and let the contract for \$3,039,000. Sand and gravel prices dropped to a range of from \$1.65 to \$1.80 a ton, after having been \$2.45 a ton. Lumber prices came down 18%. That's the record as Arnold sees it.

He cites such examples to prove the government investigation is paying dividends on any bookkeeping basis. Thus: savings to the housing authority in Pittsburgh on sand and gravel alone, \$17,000; spent by the government investigating crew, \$10,753 (salaries of eight men and three stenographers, \$5,553; travel and

living expenses, \$1,700; court reporting costs, \$3,000; miscellaneous, \$500).

Getting funds from Congress is Arnold's major worry at present. He is not disturbed about people being "against" the campaign, says that he has had many "helpful hints" from business men and from rank-and-file labor. The American Federation of Labor is vigorously attacking the whole Arnold philosophy, but since Attorney General Murphy sent a letter to William Green fully supporting Arnold's position, the A.F.L. attack seems to have shifted from outright name-calling to quiet lobbying in Washington directed at cutting off Arnold's pocketbook.

#### Busting Trusts—Not Unions

The building investigation actually has not been a union-busting campaign, although the first few indictments named building trades unions and anti-labor sources chuckled with glee. Today the record of indictment includes five unions and 27 union members, but it also included 79 corporations, four associations, and 177 non-union individuals.

Business sentiment toward the campaign has not crystallized. There is some feeling in the business community that if the drive is kept on a sustained, impartial, intelligent level it can do much good. There is also a fear that consumers may hold off buying in the belief that much lower prices are coming in the future. And the materials people remain critically watchful, ready to meet any national attack with evidence from the records (see chart) that, so far as they are concerned ("labor is another story"), the hue and cry after price increases has been overdone.

#### A Zealous Staff at Work

Arnold's crew is fired with a zeal which impresses even a casual observer. Although Arnold himself is from Yale, the staff of "special assistants" has been rounded up from all over. Wendell Berge and Hugh Cox, the headquarters men at the Assistant Attorney-General's elbow, are from Nebraska. Holmes Baldridge, noted in Washington for his prosecuting work in the General Motors dealer-financing case, is an Oklahoma product. Leo F. Tierney, top man in Chicago, is an Iowan. T. C. Clark, who obtained the New Orleans indictment, is from Texas.

The biggest headache turned up by the Department of Justice men thus far is the "protective tariff" idea used by some states to restrict the use of materials from other states, and the local building codes of some cities which encourage the perpetuation of inflexible practices. Arnold would like a system whereby the federal man could receive consumer complaints and, if they fell beyond his interstate reach, could turn them over to a competent state or city attorney.

## Underwriters' Battle Flares Again

**Argument over competitive bidding by investment bankers is precipitated again by Consumers Power Co. proposals and offering for L. & N. R. R.**

JUST A LITTLE MORE than a year ago, Harry Stuart of Halsey, Stuart & Co., Chicago, investment bankers, approached Earle Bailie, another investment banker but, more important to the point of this story, a director of the Chesapeake & Ohio Railroad. Said Mr. Stuart:

"I understand the C. & O. is going to sell some refunding bonds and I'd like to have a chance at the underwriting."

"Your information, I believe, is correct," replied Mr. Bailie, "but you had better take up any question of underwriting with the road's officers."

This conversation, needless to say, is reproduced at second hand, but it's essentially correct. And, commonplace as it may sound, it was the opening gun in one of the financial community's most colorful fights of recent years.

It's a fight to see whether or not investment bankers should bid competitively for securities which corporations want to sell or go on, as heretofore, rendering a continuing service to clients. Academically, the argument is as old as the underwriting business. Municipal and state bonds traditionally are auctioned in this manner. Railroads' equipment trust certificates have been sold in competition, by order of the Interstate Commerce Commission, since 1926. The Securities and Exchange Commission has at least rendered lip service to bids ever since the spring of 1935. But it has been a vital subject to investment bankers and dealers for scarcely a year. Their arguments today have steamed up to perhaps the highest pitch yet witnessed.

### First Chapter: The C. & O.

This most recent flare-up centers around sale of securities proposed by Consumers Power Co. and the \$60,000,000 bond offering for the Louisville & Nashville which was placed on the market Dec. 29. Managing underwriter in both cases is Morgan Stanley & Co., the investment banking organization which split off from J. P. Morgan & Co. when the Banking Act of 1933 forced commercial banks to divorce their underwriting affiliates.

Full significance of the present scuffle is best grasped by going back to the C. & O. affair of a year ago. By the time Mr. Stuart approached the road's management, Morgan Stanley & Co. and Kuhn, Loeb & Co. had completed the tedious job of "setting up" the issue. No price had been settled upon because the two houses suggested delay of a month

or so in anticipation of a higher market.

The Chicagoan, however, at once mentioned the price he was willing to pay. He had an ally in Robert R. Young who had bought control of the old Van Sweringen railroad empire (which includes C. & O.) and who had been relegated to a minor role in the management after a fight for control against a New York banking group which felt his plans for the "Van" holding companies were not in the best interest of senior security holders.

Morgan Stanley and Kuhn, Loeb declined to make any bid as long as the road was considering a rival bid—a policy to which they have strictly adhered in all competitive bidding wrangles. The upshot was that Halsey, Stuart and Otis & Co. of Cleveland won the \$30,000,000 C. & O. underwriting. The bonds sold slowly and Halsey, Stuart took up about \$7,000,000 upon the closing of the syndicate. These were disposed of later after bond prices had risen substantially.

Whether or not the underwriting could be considered a success from a banking standpoint, it made history. A western group had managed to nudge out the traditional bankers for the railroad. The cry for competitive bids was multiplied.

Mr. Stuart reappeared upon the scene in February when Cincinnati Union Terminal was preparing to float a \$12,000,000 issue which, once again, had been prepared for market by Morgan Stanley and Kuhn, Loeb. Mr. Young, several of whose roads are interested in the terminal, backed Mr. Stuart. Again the New York bankers dropped out, but the business didn't fall into Mr. Stuart's lap this time. It was put on the block and a syndicate headed by Lehman Bros. won it—and undertook to sell at a gross profit of only \$6.17 per \$1,000. Even at this narrow markup, the issue sold very poorly, and the underwriters were heard to mutter, "Never again!" or words to that effect.

Mr. Stuart sought unsuccessfully to take \$17,500,000 of Northern State Power bonds away from a New York underwriting group in March. Then, in July, the Young-Stuart alliance again appeared and forced bidding for \$7,000,000 of St. Louis Terminal bonds. In August, Mr. Stuart upset the applecart on an offering of Pennsylvania Telephone securities which had to be postponed because of the outbreak of war.

### Fight Against "Concentration"

With the coming of war and the consequent stagnation in underwriting, the fight dropped from sight. But it flared in full force last month when Otis & Co. undertook to get into the Consumers Power financing. Otis' letters to the parent company, Commonwealth & Southern, got into the newspapers, local dealers in Ohio and Michigan sided with Otis against the "concentration of underwriting" in New York. Congressmen took up the plea, and the SEC came up

## Allis-Chalmers' New Crawler Tractor



Allis-Chalmers' climbed into the upper levels of farm-tractor volume by designing a machine smaller than orthodox. Now it comes forward with a new crawler-type tractor, diesel-powered by General Motors—and presumably G.M. engineered. The new machine develops 108 drawbar hp.—a lot of power—but weighs less

than most tractors designed for its job. Caterpillar is No. 1 in this field, with International Harvester and Cletrac in hot pursuit. Now they're all wondering whether G.M. and A-C engineers have something in the idea that lighter weight and greater power make a faster dirt-moving crawler, or whether it is too light.

### SEC Squeeze on Utilities

TIP-OFF ON THE Securities and Exchange Commission's attitude toward enforcement of the holding company law's provisions on utility finance:

Consumers Power Co., Commonwealth & Southern subsidiary, has sought to borrow \$18,594,000 to refund outstanding bonds and \$10,000,000 more for expansion. Says SEC: "You can sell the refunding bonds but not the new money bonds. You're well able to sell common stock for new money."

The commission has been threatening to get tough about capitalizations, particularly toward companies owing a lot of money on preferred dividend arrearages. This ruling confirms the hard-boiled attitude.

Moreover, it's a squeeze play on holding companies. If they are to retain their proportionate interest in subsidiaries, they have to take up a fixed percentage of all new common stock issues. If they haven't ready cash, such new stock issues would be sold to the public.

Wendell L. Willkie, C&S. president, warns that such an attitude may hold back utilities' expansion and thereby slow up business.

with an orphan which it had left on Wall Street's doorstep shoved back into its own arms. Even though the Consumers Power financing in itself was not of world-shaking importance, a matter of policy needed settling.

Similarly, the ICC is called upon by Halsey, Stuart to set a precedent by ruling that last week's Louisville & Nashville offering should have been made only after competitive bidding.

### Banker Domination?

By coincidence or otherwise, the Temporary National Economic Committee was probing simultaneously into the alleged concentration of power in Wall Street. By implication, at least, it was asking why any corporation should go on for years doing business with the same bankers and wondering if such corporations weren't, in fact, banker dominated.

The arguments for competitive bidding and those in favor of the continuing relationship between banker and borrower have frequently been outlined in these columns (*BW*—July 15 '39, p. 20; July 29 '39, p. 33). Those on "concentration," however, are less generally understood.

To start with, 70% to 80% of all bonds sold find their market in the seaboard states from Maryland to Maine (even if a western syndicate underwrites them). Far and away the largest under-

writing capital—and bankers can't take the underwriting risk without ample capital—is found in Pennsylvania, New York, and Massachusetts. Those two things, say the Wall Streeters, explain the concentration.

However, every big syndicate includes a selling group composed of anywhere from 200 to 600 dealers in almost every state in the Union. That, they say, removes any taint accruing to concentration. Moreover, when a dealer in Seattle gets a few bonds to sell, it's likely as not that the underwriters will find that he used the long-distance phone to sell them to insurance companies in Hartford and New York and Newark.

## Bata to Continue Maryland Plant

**Federal ban on key Czech workers hampers but does not halt operations already producing 20,000 pairs of shoes a week. Community set up on paternalistic plan.**

BATA SHOE Co.'s operations at Belcamp, Md., although crippled to some extent, will be continued in spite of the ruling by James L. Houghteling, commissioner of immigration, that Jan Bata can employ only 10 of the 74 young, skilled Czechs which are the nucleus of his labor force.

Entry of the workers on a one-year permit was originally allowed by the Labor Department over the protest of the United Shoe Workers of America (C.I.O.) and the Boot and Shoe Workers of America (A.F.L.). The unions argued that 40,000 to 50,000 skilled American shoe workers still lacked employment.

Withdrawal of previous approval to entry of this quota is attributed in some quarters to the fact that Edward J. Shaughnessy, deputy commissioner of immigration, formerly was a union shoe worker.

The Czech workers have been teaching young Marylanders (718 of them are now on Bata's payrolls) how to make shoes. The beginners are paid the legal minimum rate of 30¢ an hour for a 42-hour week of five days and are put on a piece rate basis as soon as they learn their job. Ludvig Gerbec, the plant manager, stresses that the company has not applied for learners' permits which would permit a lower minimum wage.

### Not Much New for U. S. Labor

Bata shoes are made on a conveyor system, and last month one conveyor unit went into operation manned entirely by new workers. According to Commissioner Houghteling, the special Bata processes "represent such a minor portion of the manufacturing operation that further retention of the great majority of these alien visitors is not warranted." Investigation by the Immigration Service disclosed, Houghteling said, "very few

Bankers believe there is little popular understanding of underwriting and selling groups. The business starts with an underwriting manager. In a typical offering where the profit is 8¢ on each \$100, the manager gets a fee of 25¢ on the \$100.

There may be from 5 to 100 other underwriters who share all risks, split profits and losses. Then there is a selling group of from, say, 200 to 500 dealers. They get 75¢ without sharing the risk. That leaves 8¢ per \$100 gross for the underwriting group.

Wall Street, as appears above, thinks it is neither profiteering on corporate clients nor gouging the little dealers.

processes employed at the Bata plant which are not known to skilled American workers."

The Belcamp plant would not have been erected until 1942, had it not been for Germany's seizure of Czechoslovakia. If Bata had anticipated the complications which have arisen, he would not have undertaken the enterprise.

A visit to the company property on U. S. Route 40, 20 miles north of Baltimore, reveals the diligent pace at which Bata and his co-workers from Zlin have pushed their plans to supply the American market with shoes.

The first unit, for which ground was broken June 1, went into production Sept. 1. It is a five-story, 260 x 86 cement-brick and glass building. The second of



Jan Bata is not deterred by his troubles with United States immigration authorities.



# 3 out of 4



OF THE POWER PLANT UNITS ERECTED SINCE 1935

# CHOSE COAL

## FOR ECONOMY, EFFICIENCY, DEPENDABILITY!

**W**HY THIS OVERWHELMING preference for solid fuel?

"Reliability of operation . . . low fuel cost per 1,000 pounds of steam . . . lower repair and maintenance costs," say the power engineers. "Lower cost per unit of production . . . fewer slowdowns or shutdowns," say the production men.

Three out of four—but the preference means even more when you look at the remaining 25%, for many of these aren't lucky enough to be located near sources of quality coals.

What do you need in coal? Higher B.T.U.? Higher ash softening temperature? Lower ash content? High or low volatile? Grindability? Greater

uniformity? Somewhere along Chesapeake and Ohio—in "The Coal Bin of America"—is a bituminous coal to meet your exact requirements.

In the mines of this region, modern methods guarantee *uniformity*—of quality—of cleanliness—of sizing. In fact, from mines served by Chesapeake and Ohio you can get coal prepared and sized to your order . . . coal of the quality that means dependable operation.

Delivery service is equally fine. Chesapeake and Ohio's huge fleet of cars keeps coal continuously rolling to market. And working with this railroad's A-1 plant and equipment is a trained operating and service personnel, always alert to see that coal buyers get exactly what they want.

For information or assistance with fuel problems, write **GEORGE H. REINBRECHT**, Coal Traffic Manager, 2907 Terminal Tower, Cleveland, O. . . . Send for free copy of interesting brochure, "The Coal Bin of America."



# CHESAPEAKE AND OHIO LINES



*Of the first 74 Czech workers Bata expected to put to work in his Belcamp, Md. plant (above) only 10 will now be able to stay in the U. S.*

half a dozen similar units is now under construction. Temporarily, shoes are also being made in a recently completed machine shop.

The Bata Company reports that its present output is 20,000 pairs a week—more than 1,000,000 a year. In the rush to supply Bata's own retail stores and its other customers in this country, the plant shipped its shoes by express when exports from Czechoslovakia were cut off by the war.

As capacity and output expand, Bata is planning to extend its chain of retail stores. The company now has 44 stores in Chicago and other mid-west cities plus a few in Maryland, Delaware and Pennsylvania. Bata previously exported 3,000,000 to 4,000,000 pairs of shoes a year to the United States from its foreign plants. Termination of our trade agreement with Czechoslovakia increased the duty by 25%. Even if Bata's foreign-made shoes could be brought in to supplement the output at Belcamp, the company would not do so as it has no love for the "Made in Germany" label which would be required. Besides, it would be bad business.

### **An Eye on Latin America**

Bata expects to export more than half of its eventual production of U.S.A. shoes, first to South American markets and gradually to other markets. To supply the Canadian market only, Bata is building a smaller plant at Frankford, Ont. This was undertaken two or three months earlier than the project at Belcamp in order to get it under roof by winter.

Big, vigorous head of the Bata enterprise is 41-year-old Dr. Jan Bata, who is now building his residence on the bank of the Bush river which bounds the 2,000-acre tract on the east. Jan is the brother of Thomas, founder of the company, who was killed in an airplane accident several years ago. The founder's son,

Thomas, Jr., is manager of the Canadian factory.

In line with Bata policy, and patterned on the company's operations in Czechoslovakia, Yugoslavia, France and Holland, the scheme of things at Belcamp is frankly paternalistic. Plans include houses, dormitories, school, stores, athletic field and other recreation facilities for workers. Director of education at Belcamp is Prof. Joseph Z. Schneider, dean of the Graduate School of Commerce in Prague, who came to the United States in October on "leave of absence."

The first of four community build-

ings is under construction. The ground floor will be occupied by stores, the second floor by the offices and a cafeteria at which meals will be sold at cost to employees, and three upper floors by classrooms and dormitories for 180 unmarried workers.

Eventually dormitories will be constructed for at least 1,000 unmarried workers. Twenty-five double brick houses to accommodate 50 married workers are nearing completion. The houses rent for \$16 a month per family.

A regular course of instruction has been planned for workers in business and factory management, engineering, accounting, salesmanship, languages and cultural subjects.

### **Mansion for the Workers**

Located on the 2,000-acre tract is a mansion built in 1768 by Aquila Hall, prominent in colonial Maryland. This building has been restored and will accommodate distinguished guests. Temporarily it is a dormitory for 50 young male workers from Czechoslovakia. Czech girls also have special quarters; 24 of them live in a farm house nearby. A restaurant in the basement of the mansion serves Wiener Schnitzel and other typical Czech dishes.

The factory officials report that neither the C.I.O. nor A.F.L. has attempted to organize the plant, shrug their shoulders when that possibility is mentioned. Only the future will reveal whether Jan Bata will be able to maintain this company-dominated community operation in modern America.

### **For Kalamazoo Shoppers**



*Kalamazoo Gazette*

More than 400 cars will fit in this parking lot, built by Kalamazoo, Mich., city officials, for shoppers—who were staying away from downtown stores because of the lack of parking space. Parking is free for two

hours; charges after that discourage all-day parkers. With shoppers coming back, values of business properties in the district are no longer depreciating, and the city may not have to reduce assessed valuations.

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## Snapshots of Some Important Bondholders

PERHAPS some of the people shown in these pictures don't quite fit in with your idea of what bondholders should look like.

► But the fact is that these typical American people—and millions more like them, in every walk of life—have a financial interest in some of the country's most important investments... in electric light and power companies, transportation companies, home and farm mortgages, and Government bonds.

People like these, you see, own life insurance policies with Metropolitan...

► And as you probably know, part of the money Metropolitan policyholders pay as premiums for their life insurance is set aside as a "reserve," as required by law. This reserve fund is invested by the company, to earn interest and thus help to reduce the cost of life insurance to the policyholders.

In its effort to achieve maximum safety for the funds which it invests for its policyholders, Metropolitan wisely follows the proved principle of diversification... spreads these funds over many different kinds of sound, conservative investments.

► You will find these dollars at work today in thousands of carefully selected investments... in bonds and mortgages, helping to finance building operations, homes and apartments, utilities, agricul-

ture, industrial enterprises, and Government projects, such as schools, roads, and bridges... in practically every part of the United States and Canada.

Not a single dollar is placed until a thorough study and analysis of the security has been made by Metropolitan's staff of specialists. And every dollar, once invested, is subject to constant watchfulness.

► Metropolitan's investments, and the measures taken to safeguard them, are important to every policyholder for still another reason...

These investments, with the interest they earn, make it possible for the company to guarantee that the payments provided for in its policies will be made, in full, when due.

COPYRIGHT 1939—METROPOLITAN LIFE INSURANCE CO.

This is Number 21 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

### Metropolitan Life Insurance Company

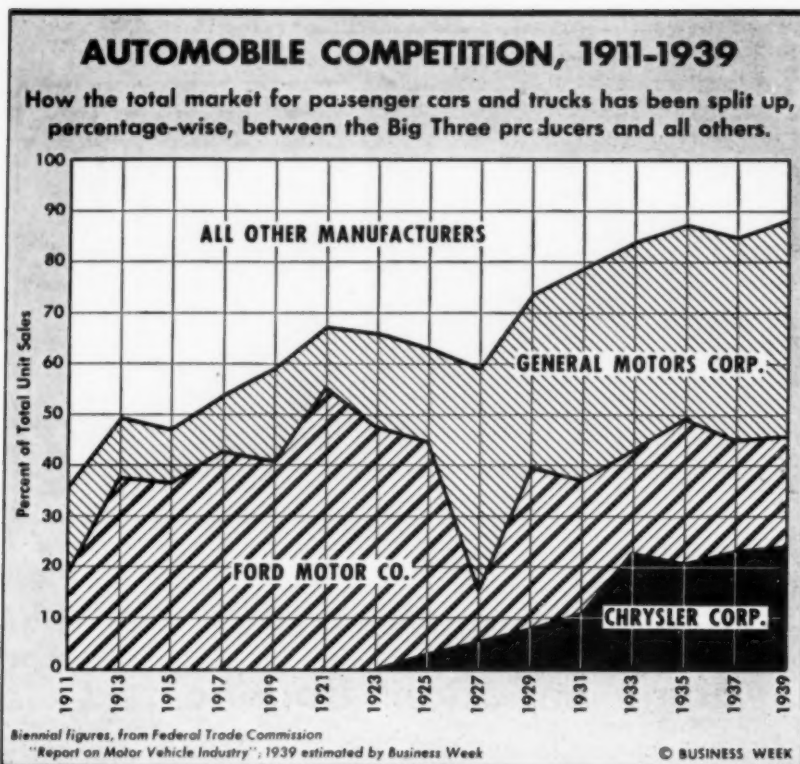
(A MUTUAL COMPANY)

*Frederick H. Ecker,*  
CHAIRMAN OF THE BOARD  
*Leroy A. Lincoln,*  
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.







## Official Portrait of Auto Industry

Hitherto unrevealed figures on Big Three sales and earnings are among many highlights in FTC's newly released "encyclopedia" of motor manufacturing.

ON APRIL 13, 1938, the Seventy-fifth Congress directed the Federal Trade Commission "to investigate the policies employed by manufacturers in distributing motor vehicles, accessories, and parts, and the policies of dealers in selling motor vehicles at retail, as these policies affect the public interest."

On June 5, 1939, the commission reported its findings to Congress and released them in summary fashion to the press (*BW—Jun 10 '39, p. 16*). Manufacturers and dealers alike were blamed for certain malpractices. However, the dealers came out on the long end of the stick, which was not surprising, since the investigation had been sponsored by Rep. Witherow in their behalf. The commission recommended less factory dictation, the arrangement of mutually satisfactory quotas, and delineation in contracts of dealer rights and obligations.

Thus were satisfied the prime requirements of the situation which Congress had created by its authorization of the investigation. But, just as the year was drawing to its close, there came from the Government Printing Office the first printed record of the full facts from which the widely publicized recommendations had been drawn some six months

earlier. And over a period of years those facts, tightly packed into the monumental tome of 1,077 pages, are apt to be far more meaningful than the recommendations.

Few if any industries have ever had the exhaustive going-over that the commission administered to the motor vehicle industry in its \$75,000 investigation, and none has ever won so lavish an encomium from a government agency at its conclusion as the following: "Consumer benefits from competition in the automobile manufacturing industry have probably been more substantial than in any other large industry studied by the commission."

The report itself can only be described as a really remarkable compilation of statistics, minutiae, philosophic comment, and historical drama. Comprehensive and meticulous—even to the point of pedantry—the report ranges in scope from a detailed explanation of the obvious (*e.g.*, why Studebaker doesn't pay an advertising agency because it collects commissions from the publications in which Studebaker advertisements are placed) to the revelation of hitherto unpublished figures on the sales and earnings of General Motors, Ford, Chrysler and others.

Significant facts about the automobile business can be most easily assimilated by considering the report piecemeal—what it has to say about each of the Big Three, about independents, financing, labor costs, dealer profits, and the finance companies.

### FORD

Authentic sales and earning figures for the Ford Motor Company—the world's largest privately-owned enterprise—are revealed for the first time. Since 1919 there have been no minority interests in the company, and its doings have been largely a matter of private information to its three stockholders, Mr. and Mrs. Ford, and son Edsel. The only source of public information was Ford's annual balance sheet, filed with the Massachusetts Commissioner of Corporations.

From 1903 to 1930, the Ford Motor Company earned over \$1,000,000,000 in profit. In 1930 it had almost \$750,000,000 in surplus. The next seven years—the FTC report goes only to the end of 1937—Ford earnings in good years were comparatively minor; in bad years, losses were heavy. Even in 1937 the company would have lost money had it not been for the parts and accessories division and the sale of by-products.

Ford's struggle, however, dated farther back than that. Since Ford abandoned the Model T, the company has operated at an overall net loss of around \$16,000,000. During that time surplus declined not far from \$90,000,000. Lincoln proved an unprofitable acquisition. Since 1929 it has not contributed a penny of earnings. Introduction of the Zephyr cost Ford an operating loss of \$300,000 in 1935, twice that in 1936, and double that again in 1937.

### GENERAL MOTORS

In contrast, during the eight years—1930 to 1937—Chrysler earned over \$200,000,000 in profits, and General Motors more than \$1,000,000,000 on its car business alone. The General Motors earnings breakdown reveals the startling fact that Chevrolet—alone of all automobile companies—made money through every year of the depression, even though in one year an \$11,000,000 profit in parts and accessories offset a \$4,500,000 loss on vehicle business. Chevrolet and Fisher Body, between them, were responsible for General Motors' showing a profit every year after 1929.

Next in line as a G.M. moneymaker is Buick which climbed from a \$1,700,000 loss in 1933 to a \$20,000,000 profit in 1937. Pontiac, Olds and Cadillac follow in order, although Cadillac was ahead of Olds in annual earnings until 1931.

### CHRYSLER

While G.M.'s lowest priced car led the corporation in earnings, Chrysler Corp. up to the end of 1937 leaned more on Dodge than on Plymouth. Analysis re-

veals that this was largely due to lower distributive and administrative expense. When Plymouth pared these expenses from \$13,000,000 in 1935 to \$9,000,000 in 1937, it simultaneously passed Dodge in annual earnings.

Striking in the Chrysler financial reports, and probably largely responsible for the corporation's ability to grow so rapidly, is its tremendously high rate of inventory turnover. The rate reached a high of 15.26 turns for the last year of the report (1937) which may be an all-time high for major companies in the industry. Chrysler's showing through the depression, however, was not as consistent as that of G.M. Only its parts and accessories division showed a yearly profit.

### INDEPENDENTS

Of the independents, the FTC report covers only Studebaker, Nash, Packard and Hudson. These companies combined, the report shows, had almost exactly the same percentage of the total business in 1937 that they had in 1923. They had a higher proportionate share of the total from 1925 to 1929 and a lower percentage from 1931 to 1935. Thus, it would appear that the Big Three, controlling in 1937 some 85% of total sales, have achieved their gains largely through the dropping out or absorption of the hundreds of one-time independent companies. Biggest percentage gains for the Big Three occur around the various industrial depression years, with a tendency to decline temporarily in periods of growing prosperity.

Of the four independents studied, Studebaker since its reorganization shows a steady sales recovery—particularly in the commercial field in which its business quadrupled in the five years leading up to 1937.

Striking in the Packard statements are the high deductions charged to gross sales due to rebates to dealers in the form of extra discounts. Packard profit per car shrunk from \$419 in 1929 to \$23.83 in 1937. Less than 0.3% of Packard's aggregate sales are "outside" products—such as its Diesel airplane and marine motors.

Nash reserves from 1926 to 1937 showed a year by year shrinkage—from \$21,000,000 to \$6,000,000—largely through payment of dividends in excess of earnings. However, for the ten-year period from 1927 to 1937, Nash averaged a profit of \$50.10 per car sold. In 1936 Nash still had more money invested in income-producing government securities than it had "current assets."

### FINANCING

Perhaps the FTC did not intend it, but the report does leave the reader with the vivid impression that financial success in automobile manufacturing depends largely on the extent to which income is reinvested in the business.

The Big Three, the records show, put

**IN THE AIR...**

**...IT'S SKF**

**FOR DEPENDABILITY**

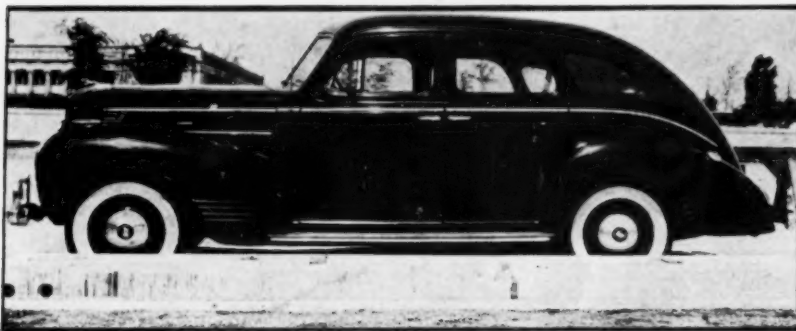
There they go...speeding the mails, passengers, merchandise through the skies, turning seconds into miles, writing the story of man's conquest of the air across the heavens and, to those who know the facts, symbolizing a new industry's almost universal acceptance of an anti-friction bearing... SKF

For SKF Bearings have been part of the equipment of practically every plane that has made a successful transoceanic hop or other form. For, while men who design, build and fly aircraft may differ on many points, they are in accord on the matter of bearing dependability. SKF Industries, Inc., Philadelphia, Pa.

4498

**SKF BALL AND ROLLER BEARINGS**

## Mobile Curbs for Chicago's Superhighway



Running boards clear the mobile curb—even at its highest point.

CHICAGO'S \$205,000,000 superhighway program may cost about \$25,000,000 less if a new mobile curb (above) is used throughout the system. Using the curb will cut down the amount of land and the number of buildings which must be condemned for the right of way; and will give a 100-ft.-wide pavement the same traffic capacity as a 160 ft. pavement of conventional design. The Chicago park district has already called for bids for construction of three of these curbs along

2,000 ft. of the new Lake Shore drive in Lincoln Park. At the push of a button the curbs will rise from the ground or drop flush with the roadway. The 100 ft. pavement which will be divided into ten lanes, will have the curbs so arranged in the morning rush hour that eight lanes will be provided in the direction of the heavy flow of traffic, two for the light flow. For the evening rush hour the proportion will be reversed. During the rest of the day five lanes will run each way.

back vastly more into their business than they took out in dividends. Smaller companies largely followed the process of paying big dividends—even to the extent, in some instances, of declaring dividends year after year in excess of earnings.

It is, of course, a matter of history that the business for decades was regarded as highly speculative. High peaks of earnings alternating with years of heavy loss made bankers shudder and shy off. Many a company went on the rocks because it could not weather a temporary storm. Others had to take strong measures to survive, when refused financing support.

Evidences of this abound in the report. There is, for example, the detailed story of how Henry Ford kept his plants closed in 1921 in order to force suppliers to reduce prices as part of a move that saved the company from failure; how he cut current inventories from \$88,000,000 to \$60,000,000 while stepping up production from 93,000 to 114,000 cars per month; how he caused his dealers to help finance him out of the hole by introducing sight drafts attached to bills of lading on surplus cars in stock shipped to dealers.

There is also the story of the events that led up to Studebaker's reorganization, including the details of how Studebaker, after acquiring 95% of the stock of the White Motor Co., could not complete the consolidation because of a suit brought by minority stockholders and the company's inability to obtain outside financing.

### LABOR COSTS

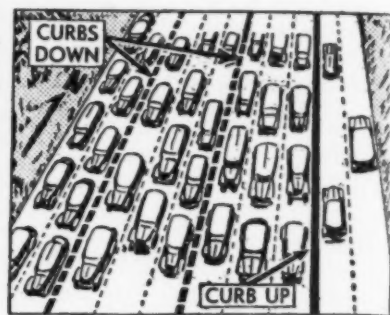
For those who wish to draw conclusions with respect to the effect of rising labor

and materials costs and the question of technological unemployment since 1936, the financial reports of automobile companies present some useful data. Every major company in the industry showed less profit in 1937 than in 1936, although saleswise 1937 was the better year. In that year G.M.'s yearly average payroll rose to an all-time high of \$1,758 (compared to a depression low of \$1,233) while employment also set a new peak with 262,000 employees. That year, Ford's average hourly rate had climbed back to 88 cents from a depression low of 59 cents (although still below the 1929 peak of 92 cents an hour). Compared with 1929, the industry as a whole in 1937 needed 32,000 more men and nearly \$23,000,000 more wages to build a half million fewer cars.

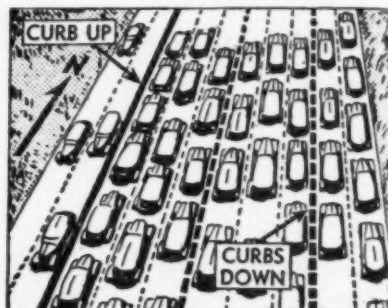
### DEALER PROFITS

When it gets into dealer profits, the report indicates that FTC is not so sure of its ground, due to inability to obtain complete information. Nevertheless, 100 pages are devoted to analyses of such earnings. The totals show that in 1937, earnings of 361 dealers reporting averaged 15.71% on investment after deducting "executive" salaries. The same year 166 distributors averaged 14.02% on investment.

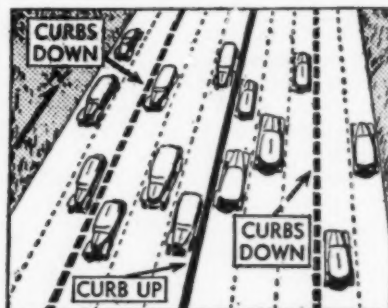
Of the dealers reporting, three-fourths made money; of distributors, one-fifth lost money. According to the report, however, 50% of all dealers do 90% of the business, while 25% of the total account for only 2% of sales. That dealers generally do better than factories in running retail establishments is indicated by



Morning rush hour.



Evening rush hour.



Middle of the day

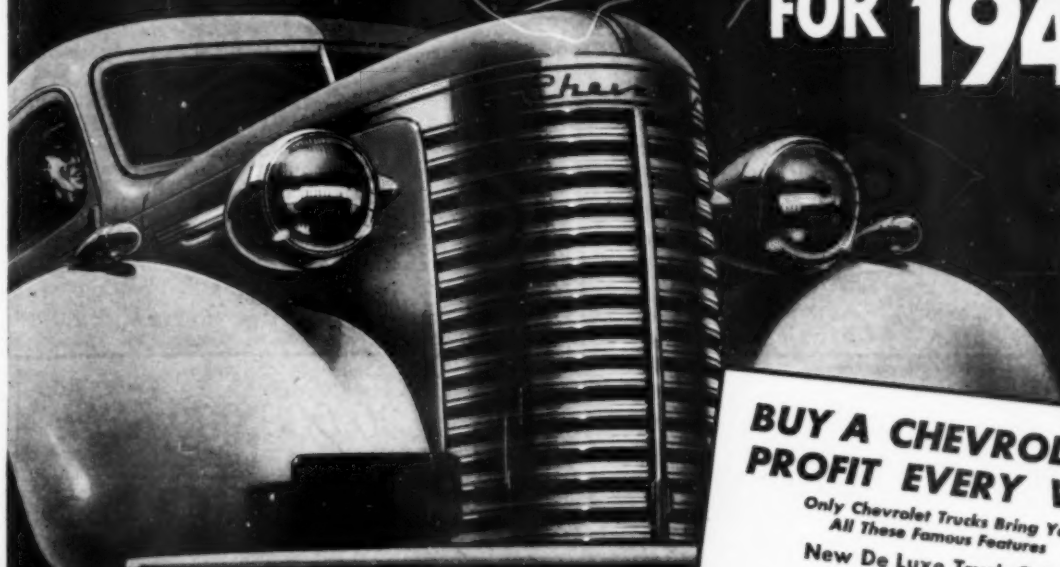
Studebaker's nine-year loss totaling \$4,500,000 on retail branches before their abandonment.

As would be expected, overtrading on used cars was given as the prime reason for dealer losses. In endeavoring to locate the blame, however, the report is—to say the least—slightly confusing. At one place, it says dealers generally admit that the used car is *their* problem. A little farther along, it says used car losses are due to pressure for new car sales by manufacturers. A summary of dealer questionnaires shows only 13% of dealers blaming factory pressure, while 76% cite "dealer competition" as the reason.

Considerable space is allotted to testimony of individual dealers that they were forced to accept and pay for cars, parts, shop equipment and "advertising" material they did not want. That there has been a decline in this alleged factory practice in recent years, however, is indi-



# CHEVROLET TRUCKS FOR 1940



**Best Haulers ·  
Best Savers ·  
and "BEST SELLERS" in  
the entire truck field!**

Chevrolet—the nation's largest builder of trucks—now offers its great new line for 1940—56 models on nine wheelbase lengths, all of them selling in the lowest price range!

Extra-powerful Valve-in-Head Engines . . . extra-strong Hypoid Rear Axles . . . extra-sturdy truck units throughout . . . make all these new Chevrolets *gluttons for work*, whether you choose a Sedan Delivery or a Heavy Duty Cab-Over-Engine model.

And Chevrolet's famous six-cylinder economy . . . plus the exceptional dependability and long life of Chevrolet trucks . . . means that all of them are *misers with your money* when it comes to gas, oil and upkeep.

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN

**See the New 1940 CHEVROLET TRUCKS on special display  
NATIONAL TRUCK WEEK at your Chevrolet dealer's JAN. 8 to 13**

## BUY A CHEVROLET— PROFIT EVERY WAY

Only Chevrolet Trucks Bring You  
All These Famous Features

- New De Luxe Truck Cabs
- Chevrolet's Famous  
Valve-in-Head Truck Engine
- New Hypoid Rear Axle
- Extra-Sturdy Truck Frame
- New Full-Vision Outlook and  
New Crystal-Clear Safety Plate Glass
- Perfected Hydraulic Truck Brakes
- Specialized 4-Way Lubrication
- New Sealed Beam Headlights  
(with separate parking lights)
- Full-Floating Rear Axle  
(on Heavy Duty models)
- (Vacuum-Power Brakes, 2-Speed Rear Axle  
optional on Heavy Duty models at extra cost.)



**More than ever, the  
"THRIFT-CARRIERS FOR THE NATION"**

Choose Chevrolet trucks for 1940 and you choose the nation's greatest truck values . . . the trucks that have *proved* their quality leadership by winning volume leadership . . . the best haulers, best savers and "best sellers" in the entire truck field!

cated by another section of the report.

A surprising amount of space is devoted to advertising expenditures and policies. Interesting are the report's direct quotations from 1932 minutes of the Automobile Manufacturers' Association. That year the industry almost adopted the practice of advertising "delivered" prices. Chevrolet was the only holdout due to worry over the competitive effect if Ford (not a member of the association) decided not to come along.

### FINANCE COMPANIES

From 1933 to 1937, according to the FTC figures, G.M. Acceptance paper jumped from \$259,000,000 to \$628,000,000, Commercial Credit from \$200,000,000 to \$933,000,000, and Commercial Investment Trust from \$475,000,000 to \$1,250,000,000. Capital employed in non-factory affiliated companies that year had increased more than 300% from 1933—a

higher rate than for factory-controlled companies. Independents in 1937 averaged 7.86% return on capital against 5.56% for factory-controlled organizations. Factory finance companies set up heavy dealer loss reserves; independent companies handled the dealer finance "pack" by means of a bonus. The "pack" in either case was about the same.

### SIDELIGHTS

The report abounds in dramatic highlights—how Durant had bushel-basket after bushel-basket full of certificates carried into a stockholders meeting to prove that he had regained control of G.M. and could force through a merger of G.M. and Chevrolet; how G.M. dropped \$33,000,000 in three years in a tractor venture.

It reveals that Fisher and Co. (whose L. P. and W. A. Fisher are G.M. vice-presidents) was among the five biggest Chrysler stockholders in 1937. With all

seriousness, it recounts the operation of a Packard Motor Sales Co. whose main purpose was to carry an inventory of 20 high-priced cars for winter display at Miami Beach; and the fact that Packard also owns a boathouse and a farm at Milford, Mich.

There are other touches—some colorful, some ingenuous—as when the report uses factory publicity material in discussing the evolution of the automobile; in the sharp distinction drawn between Packard eights and super-eights; in detailing how the Evans loading system cut freight costs \$4 per car; in pointing out that Ford's Highland Park plant when built in 1903 was one of industry's first air-conditioned plants—with washed or heated air forced through hollow columns; when it points out that Rackham and Couzens, then Ford directors, made the motion in 1914 that put into effect the famous Ford \$5 per day wage plan.

## Chain Store Modernization Sets a \$130,000,000 High

FROM THE DAYS when clean, airy retail units first began to displace the cracker-barrel "corner grocery store," chains have led the way in store modernization. During the past year, the renovation of chain stores, warehouses, manufacturing plants, and buying stations hit an all-time high.

Estimates for 1939 indicate a chain outlay of more than \$130,000,000 for store modernization alone—a gain of more than 12% over 1938 and more than 1% above 1937's previous all-time high. In addition, landlords spent \$24,000,000 in preparing properties for chain store occupancy in 1939. The chains' expenditures for modernization have, with one exception, consistently increased since 1933, when the total spent was \$32,995,000. In each of the past three years, chains have spent more than \$110,000,000. Marketing experts declare that the trend was accelerated by intensive development of the supermarket.

Figures compiled by *Chain Store Age* provide definite proof that the number of new chain store faces which appear in shopping centers across the country cannot alone be accounted for by the addition of entirely new outlets. New units opened in 1939 represented only 4.5% of the total, while number of stores remodelled was 10.7% of the total in operation.

In construction details, the chains are forsaking standardization for individuality in store design. A great increase in the use of all types of structural and ornamental glass, such as glastone, vitrolite, vitrolux, and all-glass doors is noted, as well as use of translucent lighting. A grease-proof asphalt tile has been developed.

Expenditures in air-conditioning totaled \$7,578,337. 13% of all new and remodelled stores in 1939 were equip-



Joint modernization—a Schulte cigar store and a Bickford restaurant.

ped with air conditioning as compared to 12% last year. Various types of chain store companies spent the following for modernization last year: variety-department, \$47,596,197, up 6%; groc-

ery, \$28,320,553, up 64%; drug, \$7,977,032, up 4%; apparel, \$9,397,350, down 17%; restaurant, \$8,818,220, up 42%; shoe, \$3,584,562, up 31%; all other types, \$20,466,000, down 10%.

## Speedball Freight

**Santa Fe's 450-mile run is latest hotshot rail service developed in war with trucks.**

POISONOUS NEWS for highway truckers was last week's announcement of a new 450-mile overnight freight train at passenger speed. Santa Fe 39 now leaves Chicago at 6 P.M., arrives in Kansas City at 7:30 A.M., with pick-up and delivery at both ends. Typical effect: One big shipper experimentally sent his daily five carloads of high-class merchandise on the Thursday SF-39, promised: "If it is in our Kansas City house by mid-morning, no more trucks."

Toughest problem concerning SF-39 was clerical, not operating. The shipper supplies the bill of lading. From this the railroad makes the waybill which accompanies the shipment, from the waybill makes the freight bill without which freight cannot be delivered. Shipments for SF-39 are accepted too late to write freight bills at Chicago to send on any timely passenger train. So waybills are teletyped to Kansas City, where night-shift clerks do the rest.

With a top limit of 65 cars possible for its schedule, SF-39 had by week's end amassed 50 cars, was lengthening daily. Traffic officers happily hope for a second section in ten days.

Trains of this type created to lick trucking are so new that no two authorities agree on what the type is. One expert says a speedball or hotshot freight must hold 30 m.p.h. for 400 miles. A pioneer (Oct. 1, 1936) and spectacularly successful speedball is the Illinois Central's MS-1 which averages 41.4 m.p.h. overnight for 506 miles, Chicago to Memphis. Recently the I.C. added the SE-1, Chicago to Fulton, Ky., for similar service to the Southeast.

### Regular Network in Prospect

Astonishingly, nobody has a complete list of the hotshots. Ruggedly individualistic, one may end its fast run at an obscure interchange station, perhaps thereafter amble to the next major terminal. Speedballs are too few for a national network of arrivals timed to other roads' departures, as in passenger service. But railroaders see such a network growing. For example, Omaha will now almost surely demand overnight Chicago service. Freight railroading since the speedballs is taking the passenger service pattern.

Roads with speedball experience avoid talking about profits, obviously lest they attract competition. A hotshot costs no more per train mile than an average train. Its high-class L.C.I. lading boosts net profit to several times that of an ordinary freight.

The speedballs have developed since the depression. For instance, the Southern Pacific's Overnights radiate from San



## More for your money in this improved overhead crane

On the surface, most cranes look very much alike. In many cases, they are priced about the same. Yet there is a world of difference in them.

You get many extra features without extra cost in Whiting cranes—features that mean quieter operation, reduced wear, and longer life. For example, Whiting cranes have efficient smooth-running herringbone gears instead of the usual spur gears. These herringbone gears will outlast ordinary gears



Herringbone Gears

at least two to one. You get heavy duty roller bearings, too, that cut frictional loss, assure quick starting, and accurately maintain gear alignment. Furthermore, Whiting cranes have oil-tight gear cases which prevent wasteful oil leakage. Load blocks are enclosed to retain the lubricant and keep fingers and slings out of the sheaves.

Flexible couplings are furnished to transmit motor power without binding and assure longer gear life. Tapered tread drive wheels keep the crane bridge square on the track and prevent binding.



Oil Flushed Load Brake

These are only a few of the many extra features you get with Whiting cranes. If you want more for your money, specify a Whiting overhead traveling crane. Whiting Corporation, 15661 Lathrop Ave., Harvey, Ill. In Canada: Whiting Corp. (Canada) Ltd., Toronto.



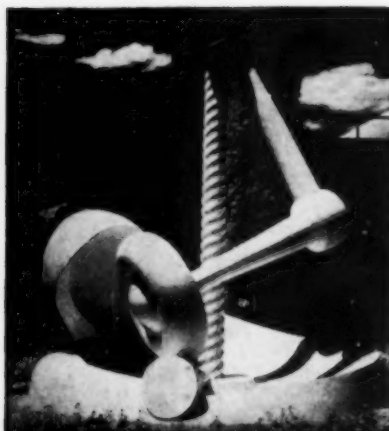
### HOW TO WRITE a Traveling Crane Specification

Tells how to order a crane to fit your needs. Mailed free to executives.

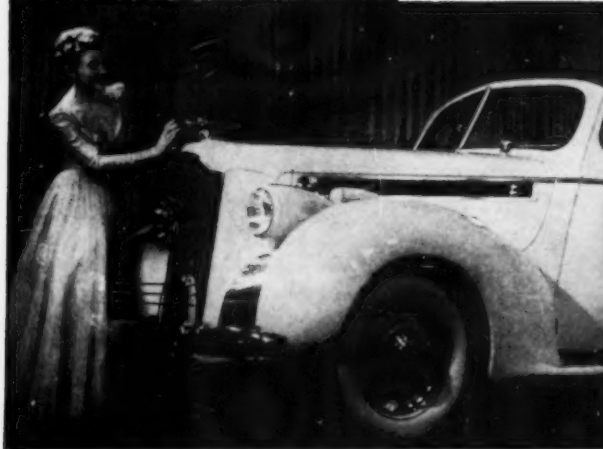
*Builders of quality cranes for over 50 years*

IT PAYS TO GET A QUOTATION ON  
**WHITING**  
OVERHEAD TRAVELING CRANES





Four examples of what it takes to win a photo contest. The picture at the left, of a fountain on the grounds of the Ford Exposition at the New York World's Fair, took one of the monthly prizes in the contest conducted by the Exposition last summer. The picture at the right, called "Guess Who?" was the amateur winner in the Chicago & North Western Railway's 1939 camera club contest. The lady and the auto below won the famous Packard contest at the New York Auto Show this year. (The photographer now owns the car.) And the gasoline truck feeding the plane got the grand prize in the National Motor Truck Show contest.



San Francisco and Los Angeles. The Union Pacific has Challengers on several runs. The Pennsylvania's LCL-1 and 2 and the B.&O.'s Merchandisers let Pittsburgh stores advertise in P.M. papers, for next morning sale, goods bought in New York an hour before.

The New Haven with the Boston and Maine runs the Maine Bullet from Portland to New York, with the P.R.R. the Speed Witch from Boston to Washington. The Central's NYB-1 serves Buffalo from New York. The Cotton Belt's Blue Streak makes Texarkana from St. Louis. The Texas and Pacific has trains from Dallas to West Texas and Shreveport, from Shreveport to New Orleans. All these are strictly in merchandise service, which is railroadesque for L.C.I. freight.

### Railroads Keep Experimenting

Another group accepts some carloads for L.C.I. fast trains. Examples: Frisco Flashes, southwest from St. Louis and Kansas City, southeast from Memphis; Missouri Pacific, St. Louis to Texarkana; both Canadian roads, between Montreal and Toronto; L.&N., Louisville-Birmingham, Cincinnati-Atlanta.

Engineers keep trying to reduce track damage, to make hotshots feasible. The S.P. is trying steel wheels. The U.P. has a hundred lightweight cars with high-speed trucks, some with roller bearings. The N.Y.C. uses baggage cars.

## MARKETING

ADVERTISING • MERCHANDISING • SELLING

### Photo Contests Click

**Amateur competitions gain popularity as sales promotion stunts for national advertisers.**

"WHO STOLE the auto show?" Year after year, automobile dealers and manufacturers argue this question heartily, well into January. But this year, after only cursory partisan tribute, they reached an almost uniform agreement that Packard pulled the outstanding stunt at both the New York and Chicago shows.

Packard considers that stunt so successful, it has announced a national photo contest, scheduled tentatively to begin Jan. 15. Any photograph, taken with any kind of camera and under any kind of lighting, will be accepted, so long as a Packard car is its main subject, according to preliminary information.

Years ago, a smart auto manufacturer pioneered the way to Packard's success by simply adding to a dolled-up coupe, one non-essential accessory—a glamorous model. Nowadays, at any auto show, professional models are as common as wheelbases. But Packard found a way

to pep up the old formula. It added a photo contest which clicked as smartly as the ten thousand camera shutters that were trained on the grand prizes—two Packard 110 convertible coupes.

Because of the unexpected number of entries in the contest the photographers worked in groups. Backgrounds were selected by experts; professional lighting equipment was available; the professional models working in pairs were posed by the amateur photographers who seemed to have a great time. While the photographers enjoyed their part, the audience crowded around to watch the fun and pretty well absorb, consciously and unconsciously, the lines of all three spotlighted models. Today, the grand prize winners are driving the two most photographed cars in the world.

That the sales promotion prospects of a photo contest have been fully realized by other advertisers is shown by the increasing number of contests conducted by nationally-known advertisers. Part of the technique they have found successful for running a contest is to offer prizes large enough to interest serious amateur photographers whose work com-

compares favorably with commercial artists. Managers of contests report that from 25% to 50% of the total number of photographs entered are suitable material and worthy of consideration.

In the four contests sponsored by the Ford Motor Co., advanced amateurs won all the top prizes—De Luxe V-8 sedans—for the best pictures taken within the Ford exhibit at the New York World's Fair. In September alone, a car and \$625 in lesser prizes were sufficient to prompt 2,527 amateurs to turn in nearly 10,000 photos. The total number of pictures entered in the four contests reached 16,000.

Besides the publicity Ford received from the contest itself, it now has a huge set of pictures from which to pick prints for promotion and advertising. With this in mind beforehand, it required photographers to obtain releases from persons who are recognizable in pictures.

#### Truck Show Draws Contestants

The National Motor Truck Show's second annual photo contest offered a total of \$110 in prize money for pictures of exhibits during the show at Navy Pier, Chicago. In 1938, \$845 was put up for prizes and photographs taken anywhere were permitted. Besides prize-winners, several amateurs made money at this year's truck show by selling prints to exhibitors for publicity and advertising purposes.

Coffee and tea, as well as automobiles and trucks, find the photo contest a way to promote public interest. Competition started in 1939 by *The Spice Mill*, in cooperation with the Pan American Coffee Bureau and the Tea Bureau, Inc., will be made an annual affair. Photographers competed for \$200 but, as in the case of the truck show, several non-winning photos were purchased by beverage manufacturers for advertising.

To publicize the daily scheduled flights of its blimps over the New York area—a publicity stunt in itself—the Goodyear Rubber Co. conducted a local photo contest last summer. Photographers of the New York area were restricted to photos of the blimps over New York. Prizes of \$25, \$15, and \$10 were awarded winners.

#### A Wide Variety of Sponsors

Other successful contests held during the last year include those sponsored by the French Government Tourist Bureau, the Kansas Industrial Development Commission, the Marshall Field Co. of Chicago, the American Society for Testing Materials, the Colorado State Chamber of Commerce, the Citizens Housing Council of New York City, the Canadian Pacific Hotels, the New York State Nature Assn., Ronson Lighter Co., the Elgin Watch Co., and Harper and Bros., book publishers.

Like all other promotional contests,



## CHAOS!

Before my startled eyes the morning paper, folded neatly beside my mail, fell gradually apart and crumbled into dust. As I watched, amazed, several magazines did likewise. Horrified, I seized my mail and began frantically to open it. Even as I worked, envelopes, letters, checks, a telegram slowly went to pieces in my hands. My desk was littered with gray dust. In sudden panic, I dialed "Information," only to find that paper everywhere was vanishing.

Government, business, transportation, printing were paralyzed. A frantic people watched currency, securities, legal documents, life insurance policies decay into nothing. Great industries saw blue prints, orders, files, payrolls, records, everything disappear. Libraries were gutted with this plague. Our law and the treasures of literature were gone. And with all this went—civilization!

Not a pretty picture this, but an imaginary one that shows the importance of that very common article we use so carelessly—PAPER.

Are you using the right paper for the right purpose? Let us help you with your paper problems. There is a Neenah rag quality for every business need. Write on your letterhead for "Neenah's Portfolio of Practical Ledger and Index Forms" and our "Portfolio of Prize Letterheads."

# NEENAH

*Look for Neenah in the watermark*

*Fine Rag Content Bonds, Ledgers,*

*Index and Lightweight Papers*

## NEENAH PAPER COMPANY, NEENAH, WISCONSIN



## Air-minded!

You can bet the man working in dangerous dusts, gases and fumes is air-minded. He knows the difference between a good Respirator and a poor one. Too often safety equipment gives inadequate protection because it is purchased without sufficient consideration of the purpose for which it is intended.

Don't gamble with your safety equipment. Dusts, gases and fumes are too subtle in their action. The two important buying considerations are—comfort to the wearer and proper protection.

WILLSON has been a leader for years in the designing and developing of Respirators and maintains one of the best equipped laboratories in the country for scientific research and testing. Why not let WILLSON Safety Service check your safety equipment and problems? No obligation.



Style 750 Respirator shown in illustration is only one of many different types of Willson Respirators approved by The U. S. Bureau of Mines for industrial use.

**WILLSON**  
DOUBLE  
PRODUCTS INCORPORATED  
READING, PA. U.S.A. Established 1873

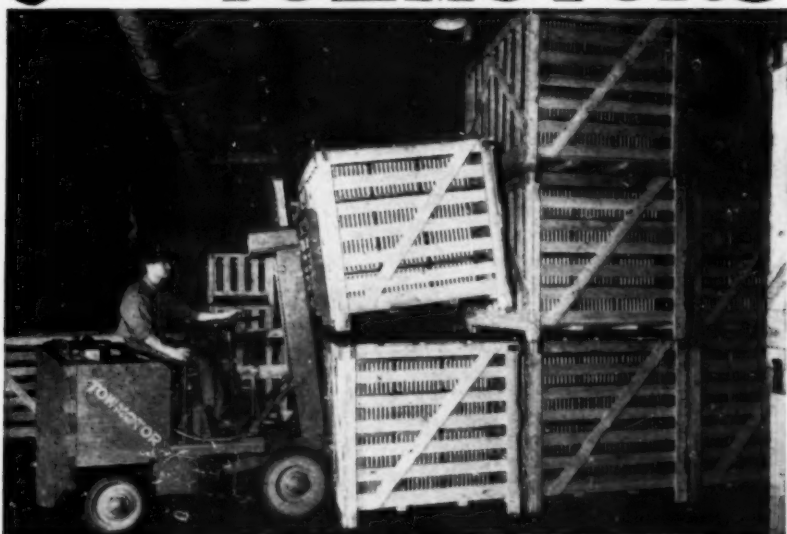
RESPIRATORS

GOGGLES

HELMETS

GAS MASKS

## Cut YOUR HANDLING COST PER TON WITH TOWMOTOR CLEVELAND



Whether your problem is handling paper, steel, glass, boxes, bundles, bales or crates of merchandise, bulk material or work in process, you'll find substantial savings with TOWMOTOR Lift Trucks. Lifting speeds up to 40 ft. per minute, capacities up to 4000 lbs., cut the cost of every load. High tiering ability doubles existing storage space. Records show savings up to 75%. For example, costs cut, in one case, from 28c to 9c per ton, in another, from 17c to 4c per ton. Write today for action picture bulletin.

**TOWMOTOR CO.** 1246 East 152nd St., Cleveland, Ohio  
SALES OFFICES IN PRINCIPAL CITIES

cost is figured on the basis of number of entries per prize-dollar. Eastman Kodak Co. probably has the lowest such cost since it attracts the cooperation of many newspapers in major cities. Other companies, not so fortunate, average from 15¢ to \$1.25 per photo submitted. The number of pictures turned in seems to depend on the size of prizes. Contest results indicate that larger prizes attract more entries, which means lower cost per dollar.

## Rail-Truck Tanks

**Borden using them now in handling bulk milk, with expectation of substantial saving.**

THE FARM Products Division of The Borden Company, New York City, has leased from the Motor Terminals, Inc., six railroad flat cars and 12 3,000-gallon demountable milk tanks (BW—Aug 12 '39, p20). These will go into service early this year and are expected to save 16% of the cost of handling bulk milk from railroad yard to city pasteurizing plant. These savings may be increased several times if the initial equipment, adequate for about one-sixth of the company's bulk milk receipts by rail, is extended to handle the entire volume.

The key factor in the savings is the demountability of the tank. It is filled and hermetically sealed in the country; moved by fast passenger train service to the city yard; there bodily transferred onto motor trucks or trailers and delivered, seals intact, to the city pasteurizing plant. There it is pumped out once into the main storage tanks.

Bulk milk reaching the same yard on Borden fixed-tank railroad cars must be pumped twice, once out of the rail tanks to motorized semi-trailer tanks and once more out of these tanks into the plant storage tanks.

The elimination of this one complete rehandling operation may revolutionize the shipping of bulk milk into all cities by railroads and result in similar savings in shipping liquid sugar, glucose, condensed milk, molasses, and products outside the food field.

## Business for the Railroads

Proponents of such demountable tanks say that their use tends to delegate to the railroad and to the motor truck those portions of the haul which each is best fitted to handle. Further, such equipment should bring back to the railroads, without capital investment on their part, much fluid milk business involving hauls of more than 100 miles which has been moving by motor tankers because of the high local transfer costs from the rail yards.

Another important advantage to the business firms using the demountable tank equipment, aside from the operat-



ing savings obtained, is the fact that little if any capital investment is required under the Motor Terminals, Inc., leasing plan. Against the user's accumulated lease charges, Motor Terminals, Inc., credits the wheelage charges paid to it by the railroad over whose lines the equipment runs. (The wheelage charge is the amount paid by the railroad for use of equipment which it does not own, but from which it derives income at the regular freight rates.)

In some cases it is even possible that the wheelage credits may equal the lease charges so that the user's leasing expense may be nil. Depending upon the length of the leasing contract and the specifications of the tanks, the per day lease charges for tanks may be \$3; for a 50-foot flat car, \$1.35; and for the motor vehicle unloading mechanism, \$1.50. The wheelage credit for milk in the New York City area is 2½¢ per mile.

### FTC Chairman



**WIDE WORLD**  
THE FEDERAL TRADE COMMISSION gets a new chairman once a year, on the year. The commissioner who automatically rotated to the top this week was Ewin L. Davis, brother of Norman Davis, America's perennial ambassador-at-large.

Ewin Davis is 63. His career follows the traditional Southern Democratic formula—farm boy, small-town lawyer, judge, congressman, and elder statesman. He is slow-spoken and deliberate, but can speak effectively on occasion. When a congressman, he made the longest speech on record outside a filibuster. That was when he fought, and won, a solo battle against paying \$50,000,000 in shipbuilders' world war claims.

A commissioner since May, 1933, Davis was chairman once before—in 1935. Washington veterans credit him with doing a good job then of steering the FTC through the uncharted sea of quasi-judicial administration, expect him to do it again.

## 100 Million American Shareholders As Radio Enters 1940

**M**ORE than 44 million radio sets are owned by some 30 million American families. These families—more than 100 million people—are therefore shareholders in a great American enterprise. No other nation approaches these figures. Never before has the importance of the American system of radio been so evident. News must be winnowed from propaganda, fact separated from claims. Our own forthcoming presidential campaign raises further need for radio reporting that is fair and unbiased.

Through great music, famous artists and distinguished organizations, radio provides the world's outstanding programs. The poorest man gets free what the richest

man could not afford to buy.

RCA, through the National Broadcasting Company, will continue in 1940 to maintain and improve American standards of broadcasting.

But the activities of RCA extend far beyond radio broadcasting. RCA provides swift message service to all parts of the world, and to ships on the seven seas. In the RCA Laboratories research constantly develops new services for radio. Thus in 1939 RCA made television a reality; in 1940 it will extend it further. RCA services also include activities in every other phase of radio. In all of these, the aim of RCA is to provide the maximum service for the minimum cost to the public.

### These are the Services of RCA

#### RCA MANUFACTURING COMPANY, INC.

Builders of RCA Victor Radio sets, RCA Victrolas, RCA Radio Tubes, radio equipment for broadcasting, transmission and many other radio services.

#### RADIOMARINE CORPORATION OF AMERICA

Manufacturers of radio safety devices for protecting lives and property at sea. Swift message service to and from ships.

#### NATIONAL BROADCASTING COMPANY

Operating the great Red and Blue Networks, and providing distinguished entertainment, including the famous NBC Symphony Orchestra.

#### RCA INSTITUTES, INC.

A school offering technical courses in every phase of radio and television.

#### R. C. A. COMMUNICATIONS, INC.

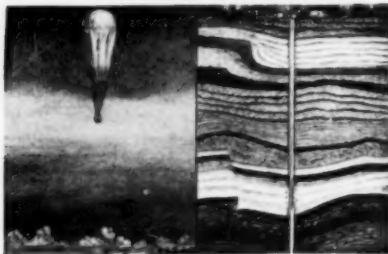
Radio message service to and from 43 foreign countries, and among principal cities in the United States.

#### RCA LABORATORIES—Continuous research in every field of radio



**Radio Corporation of America**  
RADIO CITY, NEW YORK

## From Stratosphere... to Sub-strata



In a recent stratosphere ascension, Mallory Grid Bias Cells contributed vitally to the value of Cosmic Ray studies. And currently, Mallory-Yaxley cable connectors, as well as contacts of Mallory metal, are used in the Lane-Wells Gun Perforator, used to unleash new floods of "black gold" in hitherto abandoned oil wells.

Mallory's broad service to many industrial fields is based on ceaseless research.

If your products call for metals or alloys of special characteristics, or the use of electrical or radio parts, call on Mallory. Here is long experience in engineering and metallurgy that may prove invaluable to you.

**P. R. MALLORY & CO., Inc.**  
INDIANAPOLIS INDIANA  
Cable Address—Pelmallo

**P. R. MALLORY & CO. Inc.**  
**MALLORY**  
PARTS FOR RADIO, ELECTRICAL,  
AUTOMOTIVE AND INDUSTRIAL FIELDS

## TIRED MOST OF THE TIME?

That all-shot feeling may be a storm signal your energy is running low! Stimulants only drain it more. What you've got to do is to rebuild your endurance. This new, amazing way does the job on women as well as men.

First, build up your endurance by taking 4 envelopes of Knox Gelatine daily for 2 weeks. Then, take 2 envelopes daily for 2 more weeks. After that, take whenever you feel a slump. Results in building endurance have been proved in colleges and hundreds of controlled test-cases.

Write for Bulletin E. Knox Gelatine, Johnstown, N. Y. Dept. 82.

Knox, the pure plain gelatine in the familiar grocery store package, is the only gelatine which has actually proved this endurance-building property.

**HOW TO TAKE:** Empty 1 envelope ( $\frac{1}{4}$  package) Knox Gelatine in glass  $\frac{3}{4}$  full tap water or fruit juice, or  $\frac{1}{2}$  water,  $\frac{1}{2}$  fruit juice. Let liquid absorb gelatine. Then stir briskly, drink before it thickens.

**MCGRAW-HILL**  
**DIRECT MAIL**

... Complete Lists Covering Industry's Major Markets

**MCGRAW-HILL PUBLISHING CO.**  
1221 AVE. OF THE AMERICAS, NEW YORK, N. Y.

## PRODUCTION

PRODUCTS • PLANT • PROCESSES

### Wood Fuel May Have a Comeback

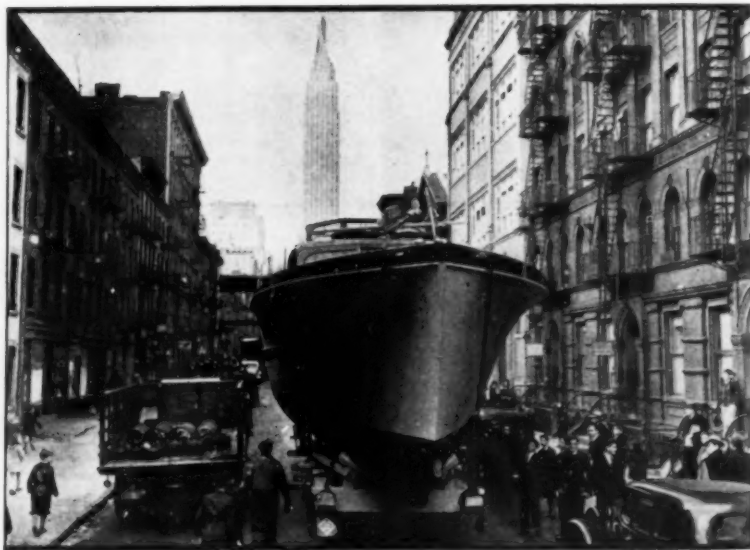
New methods of production, transportation and combustion being explored. Theoretical annual supply put at equivalent of 270,000,000 tons of coal.

TIME WAS when wood fed the fires and warmed the hearths of all America. Then coal and oil, and furnaces, relegated fuel wood to the farm kitchen and the city fire place. Now, however, appears a distinct possibility of a renaissance in fuel wood, particularly in sections adjacent to wood lots. A non-profit, voluntary organization of Connecticut citizens, the Yale School of Forestry, and the U.S.

Department of Agriculture are cooperating in the solution of various problems of fuel wood production, marketing, and combustion. The citizens' group, led by the Connecticut Forest and Park Association, of New Haven, is interested in making Connecticut "a better place in which to live by developing its forests and other outdoor resources."

Upshot is the development of new pro-

### The Motor Boat Business



THIS 57-foot Elco motor launch, on its way from the East River to Grand Central Palace, heralded the opening this week of the Thirty-Fifth Annual National Motor Boat Show in New York City. There are 200 manufacturers participating in this year's show. The cheapest boat on exhibit sells for about \$150, the most expensive for more than \$30,000, and exhibits range in size from 10-foot skiffs, to this 57-foot motor launch—which is the biggest thing in the show. In 1929, with the stock market crash, the motor boat business went on the rocks. But by 1933, unit sales had jumped ahead of the 1928-29 record, and 1937 marked the industry's all-time high in dollar volume. Business

in 1939 totalled \$30,000,000—only a fraction short of the '37 peak; and the industry is also responsible for the expenditure of another \$100,000,000 on maintenance and equipment. So the 200 manufacturers in this year's Motor Boat Show really have something to celebrate.

Main reasons for the motor boat industry's success in weathering the storm are technical developments which have reduced the average price of boats by 50% or more since 1929, taking them out of the custom-built class and putting them within reach of the middle income bracket. Important too is the opening of waterways by government power projects—notably in the Tennessee Valley.

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duction and transportation methods, and a new heating stove which will run for eight hours without restoking in severe weather and 24 hours in mild. What's more the Department of Agriculture has granted a small subsidy under the Norris-Doxey Act.

Heating engineers long have been familiar with the approximation that a cord of hard wood equals a ton of coal in heating value. As a matter of fact a cord of shagbark hickory or beech or white oak, each weighing somewhat over two tons, has a potential heating value of over 30,000,000 B.t.u. Domestic anthracite runs about 25,000,000 and steam coal about 29,000,000 B.t.u. Trouble has been to get the heat out of the wood without certain serious difficulties arising from the condensation of various wood volatiles, and above all, the chore of frequent firing.

#### Supply Can Be Increased

The Connecticut Association prepared some figures recently for the National Resources Planning Board on wood as a reserve fuel supply, and Edgar L. Heermance, association secretary, has boiled them down:

"For the country as a whole, if we take 176,041,000 acres as the extent of our hardwood area, and allow one-sixth cord per acre for cordwood taken out in improvement cuttings, we reach an annual figure of about 27,000,000 cords, equivalent in heat value to 27,000,000 tons of coal. This figure is undoubtedly conservative. It may be compared with a total coal consumption (1937) of 484,301,000 tons.

"Since our forests have not been systematically thinned, due chiefly to lack of markets, cordwood production could be increased in an emergency. Theoretically, the annual figure for cordwood production might be multiplied by ten, without depleting the forests, or an equivalent of 270,000,000 tons of coal."

#### Europe Resorts to Wood Fuel

Certain European countries, short on coal deposits and long on forests, have long used wood as a supplementary fuel to coal and oil. There, engineers have long since developed efficient wood-burning stoves and furnaces. Thousands of European trucks and buses cover their routes propelled by producer gas made direct from wood. Wood-filling stations, supplying 25- and 50-kilogram sacks of wood, are almost as much a part of some European highway scenes as gas stations.

Here, however, gasoline is far too cheap and plentiful for wood fuel to be considered in automotive vehicles. The backers of the wooden renaissance seek only the means of utilizing sufficient cordwood to keep forests properly thinned and in prime growing condition.

They think that each stick of cordwood is now handled far too many times. Loads are small, often only a cord. They

## Only Redipoint HAS THIS FEATURE



**"CLICK"**  
Lead snaps back

Automatic push-back saves leads and pockets—an exclusive feature of the new Redipoint.



**"FLIP"**  
Lead Reappears

This handsome new Redipoint will carry your ad or trade-mark or can be personalized with your customer's name.

*"The Pencil with a PLAN behind it."*

### Remembrance Advertising

BROWN & BIGELOW - SAINT PAUL, MINN.



## Carey ROCKTEX

(ROCK WOOL)

**INSULATION HOLDS TEMPERATURE  
CHANGE TO 1° FROM FLOOR TO ROOF**

Floridagold Citrus Corporation  
Lake Alfred, Florida

To protect its canned fruits from damage by excessive heat, the Floridagold Citrus Corporation, Florida, insulated the roof of its new warehouse with Carey "Rocktex" Wool Bats.

After completion of work, temperature tests showed these results: Outside in sun, 120°; inside at floor, 88°; inside directly under roof, 89°—only 1° variation between floor and roof. And this with a blazing Florida sun heating down on a roof of galvanized metal!

Whatever your insulation problem, solve it permanently, economically, with Carey "Rocktex" Rock Wool. Write for full information—address Dept. 29.

**THE PHILIP CAREY COMPANY • Lockland, Cincinnati, Ohio**

Dependable Products Since 1873

BRANCHES IN PRINCIPAL CITIES



## THE AIR CONDITIONING EXPOSITION



SIXTH  
INTERNATIONAL HEATING &  
VENTILATING EXPOSITION  
LAKESIDE HALL  
CLEVELAND · OHIO  
January 22-26 · 1940

*Auspices American Society of Heating  
and Ventilating Engineers*

Every business must reckon with the various phases of Air Conditioning. It affects living and working conditions, sales and production.

To fully realize the advantages offered, you should personally see the hundreds of new products that will be demonstrated at this great exposition. You are cordially invited.

*Management, International Exposition Co.*



... if you're oversold ...  
if you need to produce a new  
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point to Germany where the wood is loaded into large steel crates. No individual sticks are touched until they reach their final destination. In America, it is hoped that newly designed wooden crates may do a better job than steel.

The new wood-burning stove, which takes sticks up to 4x4x16 in. and occupies a floor space of only 18½x25 in., is an American adaptation of a highly successful German design which heats two or three rooms with ease. Known as the Char-Wood Heater and manufactured by H. B. Smith Co., Westfield, Mass., it takes its filling of wood in at the top, extracting heat not only from the combustion of the woody fibers, but of the gases and other volatiles. Wood-burning European furnaces are in the throes of American adaptation. Meanwhile, when-

ever the war permits, excellent Swedish furnaces in several capacities are available through Sandvik Saw & Tool Corp., New York.

Most recent research undertaken by the association and its cooperators is the application of "hogged wood," long used in industrial heating, to home heating. Here the material is reduced to chips by a machine known as a wood hog. Two drawbacks have become immediately apparent: combustion chambers in standard furnaces are too small; hogged wood does not feed well by gravity. Once the right size and shape of combustion chamber is established, the next step will be the development of an automatic feeder which may very likely take the form of a screw conveyor similar to ones already used in domestic coal stokers.

## NEW PRODUCTS

## New Dictatype

THE YOUNG LADY, who is taking dictation on the new Dictatype, is able to



keep her eyes on the dictator's lips, because the design of the machine permits her to keep her hands in one position without looking. The manufacturer, New Dictatype, Inc., King & Water Sts., Wilmington, Del., points out that a new system of phonetic spelling not only permits quick learning and fast operation, but allows anyone in an office to read notes from a Dictatype tape.

## Social Security Checks

FIVE NEW Social Security Bank Checks have been designed by Northern Lithographing Co., 1250 W. Van Buren St., Chicago, to take care of changes in payroll methods made necessary by the revised Social Security Laws.

## Compact Centrifugals

THE NEW Carrier Centrifugal Refrigerating Machines, in sizes from 60 tons to 1,100 for large-scale refrigerating and air-conditioning systems, will operate with 10 to 15% less horsepower than former models. New quietness has been achieved. The refrigerant pump has been eliminated. Smaller condensers and evapora-

tors show higher efficiencies. Carrier Corp., Syracuse, N. Y., mounts centrifugal, condenser, and evaporator on a single bed plate for quick and easy installation.

## Remote Control Gauge

WHERE there are numbers of bulk liquid storage tanks to be gauged from time to time, the whole job can be done in one central station "by remote control," with the Guardian Gauge of Guardian Electric, 1623 W. Walnut St., Chicago. There is no need to wait for vapor pressure to subside as in hand-gauging. Each tank is equipped with a counterbalanced float which "telegraphs" the depth to a central indicator panel at any time desired. Tanks of any size or shape in Dallas can be gauged in New York, if necessary.

## Magnifying Projector

OCCUPYING a space on the work bench of only 21 x 24 in., the Wilder Micro Projector provides facilities for measuring or comparing objects by means of a mag-



nified shadow image. The maker, R. S. Wilder, Inc., Waltham, Mass., also has a special reflecting attachment for checking such diverse things as photo-engravings, printing type, textiles, and coins.

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

### Same Bridges, but No Communist

**Landis finding deprives Coast C.I.O. leader's opponents of powerful weapon, but employers had feared martyrdom that might follow deportation.**

"THE EVIDENCE, therefore, establishes neither that Harry B. Bridges is a member of nor affiliated with the Communist Party of the United States of America."

With this conclusion of the report filed last week by special examiner James M. Landis, the question of whether the West Coast C.I.O. leader, should be deported was effectively—and emphatically—answered in the negative. It remained only for Secretary of Labor Frances Perkins to put her official seal on the examiner's report and to order cancellation of the deportation warrant issued by the Immigration Service of the Labor Department.

The only question at issue since the trial began on July 10 (BW—Jul 15 '39, p 42) was whether or not Bridges was a member of the Communist Party. He was never accused of personally advocating the overthrow of the government by force or violence. However, concerning his personal radicalism, Mr. Landis, dean of the Harvard Law School and former chairman of the Securities and Exchange Commission, had this to say: "That Bridges' aims are energetically radical may be admitted, but the proof fails to establish that the methods he seeks to employ to realize them are other than those that the framework of democratic and constitutional government permits."

#### Up Against Stiff Opposition

The decision comes when anti-Bridges sentiment on the Coast is at its strongest (BW—Dec. 16 '39, p 38). The strike of the ships' clerks' union (a Bridges unit) was the 400th maritime tieup in three years there. Business and the public generally has become groggy from the endless, costly, bitter waterfront strife.

There has been continuous anti-Bridges agitation from such powerful groups as the Associated Farmers, the Waterfront Employers' Association, Southern Californians, Inc., and scores of business and civic organizations (aided by most urban newspapers and virtually all the rural press). Widespread claims that the Bridges inner circle includes several known members of the Communist Party and a generous sprinkling of "fellow-travelers"



*Harry Bridges can forget deportation, concentrate on directing the Longshoremen's and Warehousemen's Union. He's shown here with Matt Meehan, the union's Pacific Coast secretary.*

had built up, in the minds of a large majority of West Coast executives, the sincere conviction that the sharp-nosed Australian is a Communist at heart if not in fact; that "there won't be any labor peace in the West until Bridges goes."

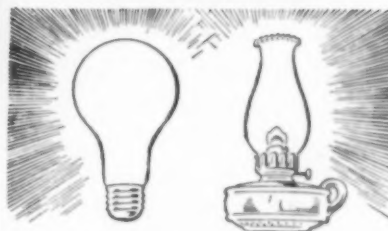
Naturally, then, the Department of Labor's findings this week came as a disappointment, to say the least, to most business men although they more or less expected it. To the public generally, the ruling was a shock.

Employers closest to the Bridges picture (the waterfront and warehouse group), while they'd have welcomed the drop in Bridges prestige which would have resulted from a verdict of guilty, weren't so sure that deportation was the answer to their problem. They were aware of the public reaction that might come from making the alien a martyr. They still remember the Mooney episode.

Because the decision dulls the Associated Farmers' chief weapon against Bridges—the Communist tag—his

# Elliott

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"march inland" from the waterfront (maritime unions) to the fields and canneries (agricultural and cannery workers' union), which has made little progress so far, may get a new lease on life.

The ruling also will affect Bridges' feud with Harry Lundeberg, head of the Sailors' Union, over who's to be No. 1 maritime labor chief on the Coast (BW—Aug 5 '39, p. 30). Lundeberg's most powerful argument in luring maritime groups away from the Bridges camp has been the charge that the longshore chief is dominated by the Communist Party. Lundeberg, however, will not take a back seat without a scrap.

The decision places the Bridges-dominated unions in a more strategic position to gain in membership, strength and prestige. Such groups as the International Longshoremen's & Warehousemen's Union, the Ships' Clerks, Marine Cooks & Stewards, Firemen, Radio Telegraphers and perhaps the Agricultural & Cannery Workers are likely to benefit.

### It's More Than One Man

Realistic observers of the West Coast labor scene long have realized that "Harry Bridges" isn't a single personality but a shrewd, tenacious, resourceful organization reaching into many fields of business and industry.

Harry's first-in-command is suave, smooth German-born Henry Schmidt, known on the waterfronts as "the shaved pig" because of his Prussian haircut. He is spokesman for Bridges when the chief isn't around. Had Uncle Sam pushed Harry off for the Antipodes, Schmidt probably would have taken over. He's president of Bridges' spearhead group, the I.L.W.U., third-term president of the Maritime Federation of the Pacific.

Also on the general staff is Germaine Bulke, ex-president of the I.L.W.U., recently appointed by Gov. Culbert L. Olson to the state Fish & Game Commission. Bulke first became prominent on Coast waterfronts in January, 1937. He is a naturalized Belgian.

### Counted in the "Brain Trust"

Prominent in the Bridges brain trust is young Louis Goldblatt, graduate of the University of California, a native of Lithuania. He is secretary of the state C.I.O. and, off and on, has been an instructor in the Communist Workers' School in San Francisco.

Another of the brain trust is mild, bespectacled Aubrey Grossman, of the law firm of Gladstein, Grossman & Margolis, who, with Carol King, of New York, handled the Australian's defense in the deportation trial. He, too, is a graduate of the University of California. He has been active in C.I.O. attempts to knock over anti-picketing laws which the various California farm counties have enacted largely as a defense against the inland march (BW—Mar 25 '39, p. 48).

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ards' Union, Bridges has Revels Cayton, a Negro, now secretary of the San Francisco Bay Area Council of the Maritime Federation. William (Walter) Stack, who spent a year in Alcatraz prison for desertion and fraudulent enlistment in the Army, is his man in the firemen's union.

Others prominent in the Bridges organization include Eugene Patton (warehouseman); Joseph Henry, former guard in the California state prison at Folsom (now president of the striking ships' clerks); John D. Shoemaker, Bridges' trouble-shooter at San Francisco.

### Ship Clerks' Strike Settled

OF MORE IMMEDIATE CONCERN to West Coast business than the Landis report on Harry Bridges was this week's settlement of the 52-day strike of the Ship Clerk's Union in San Francisco. The settlement represented a substantial victory for the shipowners and considerable backtracking by Bridges, probable his most notable retreat in three years.

The settlement included substantially the same provisions that had been offered by a five-man committee, appointed by the governor to study the issues, in a report which Bridges turned down.

Big issue at stake was control over the hiring of monthly workers (*BW-Dec 30/39, p. 42*). Under the agreement, wages and hiring conditions remain as before the strike. Negotiations for a new contract are to continue 10 days. Then, if either party refuses to go on, issues still in dispute (except preferential hiring and registration of monthly men) will be submitted to arbitration. If an arbitrator is needed, he is to be Wayne Morse, present federal arbitrator, or a man appointed by him.

## MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

### Stocks Approach 1939 Highs

Test of market seen as prices nudge up toward resistance point. Favorable and unfavorable news from Washington about balances.

MARKETS THIS WEEK took the opening of Congress, President Roosevelt's address on the state of the union, and his budget estimates pretty much in stride. The favorable items in the news from Washington, as was fully expected in financial circles, were just about balanced by implications not so palatable.

A heavy industry drew satisfaction from the President's request for higher expenditures for national defense, there was the offset of a demand for more tax revenues to meet a part of the expenditure. If encouragement might be derived from the paring of other budgetary estimates, there remained the full knowledge that Congress has not yet voted the appropriations in curtailed form. If there were doubts that the Administration's talk of everyone pulling together for national unity could be taken at their face value, there was the realization that the temper of Congress—in the election year—will be conciliatory to business.

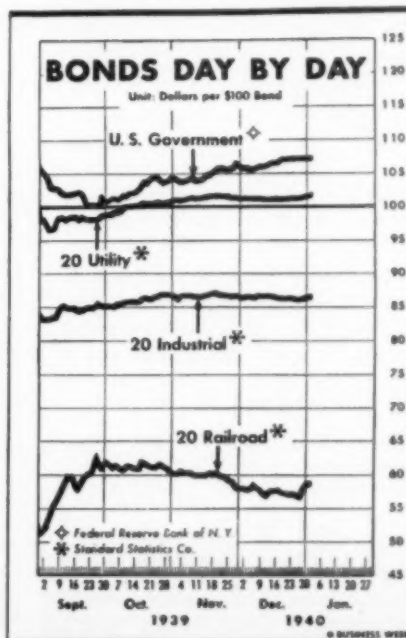
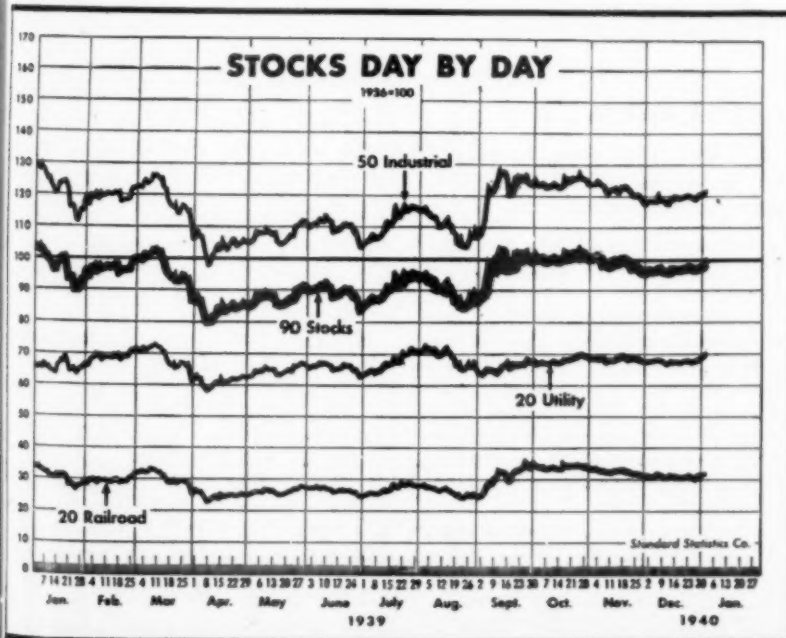
Taking all this into consideration, appraisal of values in stock and commodity markets involves precisely the same problems that have been evident all along.

With that in mind, it is interesting if not conclusive that stock prices in the early days of this week swung back up toward the upper limit of the trading range within which they have backed and filled ever since the middle of September.

### How Much Drive in Markets?

Commodity price averages generally are about equal to the September highs and in some instances have broken through. Stock prices remain a bit under the peak set in the initial war boom, but most recent trading sessions have seen an increasing number of new highs for 1939-40 set by individual issues. In other words, resistance points have been reached and the ability or inability of markets to pierce them in these early days of 1940 will be of paramount importance to those traders who judge trends from technical considerations.

Such traders knew that increasing resistance would be met as the stock market nudged up toward the high attained by the averages on Sept. 13. With that in mind, they were interested in the rise in volume of trading on the New York



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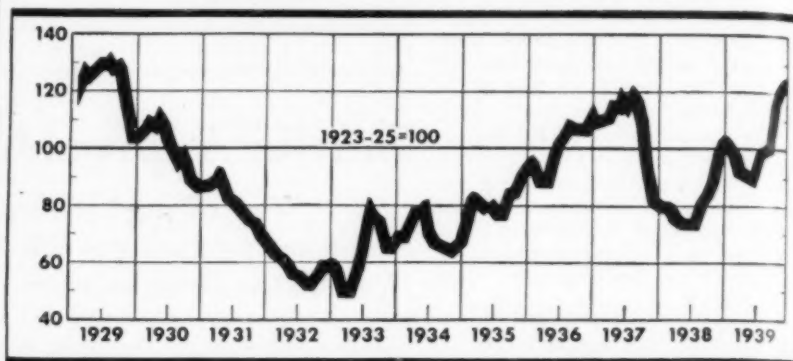


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## Monthly Index Closes Year at New High



Despite the leveling off in the weekly Index of Business Activity (p. 11), the monthly Index for December reached a post-depression high, ad-

vancing to 125.1 from 124.0 in November. For the year 1939, the Index averaged 107.0—4.4% below 1937's 111.9, 16% below 1929's 127.2.

Stock Exchange starting with Tuesday's session. They also were alert to the fact that new highs achieved by individual issues were scattered through a wide range of industrial groups rather than concentrated in a few favored categories. This breadth to the market, the bulls figured, indicated general appreciation by stock buyers of the many lines which have shown marked improvement since the business upturn started last May. They hoped the diversity of demand would help to carry stock price averages above the best levels attained in 1939.

Under the circumstances, the market will bear careful watching. If it breaks through the 1939 highs impressively, it will supply a confidence now lacking in business. If it fails for the fourth time in four months to go through, traders will have good right to be discouraged.

## Sugar Looks Up

Trade gets first favorable news in weeks as Wallace announces 1940 quotas.

LONG-SUFFERING SUGAR MARKETS this week were just a wee bit happier. In the first place, there was the President's action reimposing the quota system to regulate domestic supplies in place of the wide-open schedule of operations that has prevailed since suspension of quotas early in September. In the second place, Secretary Wallace announced a preliminary set of quotas for 1940 which the trade regarded as satisfactory, if not actually favorable.

The Secretary's consumption estimate, which has the force of a quota, places this year's needs at 6,725,100 tons of raw sugar. At this time a year ago, Secretary Wallace fixed the preliminary quota at 6,832,157 tons, and the figure was high

enough just about to break the market's back. It was reduced to 6,755,386, and even at that level the price of sugar was wallowing around the all-time lows until war came along to send the market soaring. That uprush, in turn, inspired the President to suspend quotas with the result that perhaps 500,000 tons of extra-quota sugar came onto the market.

## Trade Is Mildly Cheerful

In view of the fact that the preliminary quota for 1940 not only is below the initial figure a year ago but also under the final determination for 1939, the trade is inclined to think that new supplies will not be too burdensome. The main worry now is over the amount of 1939 sugar which may have remained on hand at the turn of the year. Even this concern is tempered by the realization that the present rate of business, if maintained, should result in a pretty fair year for sugar consumption.

The trade believes that this mild optimism is shared by the President and the Secretary of Agriculture, who probably wouldn't favor low sugar prices in a presidential year nor in a year when Congress is scheduled to take up revision of the sugar law. If prices are fairly good, there will be less agitation on the part of Congressmen from beet and cane states.

Presuming that domestic quotas aren't enlarged, Cuba's position will be protected. Trade relations with the island hinge in a major degree on how the United States treats Cuba's sugar. During the last four months of 1939, Cuba lost its preferential tariff, having to pay \$1.50 a cwt. duty on raws in place of the 90¢ imposed with the quota in force. Now, with quotas reinvoiced, Cuba once more gets a tariff cut to 90¢ a cwt. But a preferential duty would be small consolation if the quota were further reduced in favor of mainland producers.

## Wheat

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## Quotas

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## FINANCIAL ANGLES

## Wheat Subsidy Ends

WITH THE TWIN objectives of regaining our export markets and working off burdensome supplies, Secretary of Agriculture Wallace in Aug., 1938, started to subsidize exports of American wheat. Since that time, he has underwritten the export of 128,500,000 bu. at a cost to the government of \$33,000,000. But this week the subsidy was withdrawn (except from the exports of flour from the Pacific Coast to the Philippines), and the reason for this was obvious: the present drought.

Although there has been some slight improvement recently, the severe winter drought may reduce this year's harvest to as little as 600,000,000 bu. The carry-over of old wheat on July 1 probably will be 300,000,000 bu., making a total supply of some 900,000,000 bu. to meet domestic needs of about 700,000,000 bu. Just so that the margin of safety over home requirements won't be cut too thin (and so that the market won't run away), the Secretary decided not to subsidize further export until the crop outlook is more definite.

## Quotas for Farmers

TOBACCO FARMERS and corn raisers are hearing from the Agricultural Adjustment Administration these days. The reason: acreage allotments for flue-cured tobacco and for corn have been fixed, and quotas for both crops are down sharply due to accumulation of surpluses.

Tobacco raisers, who have voted in favor of marketing quotas for 1940 after refusing them for 1939, are to be allotted 750,000 acres as a base figure for this year's flue-cured crop compared with some 884,000 in 1939. The commercial corn belt, embodying 599 counties in 12 states, is asked to plant no more than 36,638,000 acres against 41,256,000 in the 1939 allotment. The cut in the flue-cured acreage figures about 20% and that for corn about 12%.

And where, by the way, is the Corn Belt Liberty League of 1938?

## More About Bond Bids

PROBABLY 10,000 or more copies of the pamphlet on competitive bidding for new issues of corporate securities, prepared by Harold Stanley, president of Morgan Stanley & Co., will be distributed. Investment bankers interested in making clear their opposition to competitive bidding already are sending it around. This booklet, in 14 pages of analysis that is fairly easy to understand, covers much the same ground as the extensively documented and technical study prepared some time ago by Franklin T. McClinck of Harriman Ripley & Co. (BW—July 29 '39, p.33). This represents one of the rare instances in which the financial community is trying to show the public

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the Wall Street side of the picture before it is too late. One of the basic arguments goes like this:

"If continuing relationships between investment bankers and corporations are so sinister, why haven't the corporations long since broken away and invited competitive bids on new issues? There never has been anything to force them to continue to do business with the same set of bankers excepting that they probably got good service."

## Exchange Bows 1939 Out

LAST WEEK, the management of the New York Stock Exchange ended 1939 in a burst of publicity. From the members' gallery overlooking the trading floor, Bob Trout, smooth-talking commentator for the Columbia Broadcasting System, broadcast the activity during the last half-hour of trading, described the mechanics of an actual transaction taking place (100 National Biscuit at 22½), and interviewed William McChesney Martin, Jr., president of the Big Board. Trading in that last two-hour session of the old year rose to 660,000 shares—more than many a previous full five-hour session had seen change hands.

## Confidential Data

WITH ESTABLISHMENT of the Securities and Exchange Commission there was also established a policy which has caused many arguments with corporations. This was the requirement that listed corporations or those seeking to sell securities must supply various data which the com-

mission could make public if it regarded the information to be of consequence.

In several cases, such data have been published over vigorous protest. One such case involved SEC refusal to treat as confidential certain profit-and-loss figures of American Sumatra Tobacco, and the company went to court. This week the Court of Appeals for the District of Columbia ruled that Congress had been within the constitution when it delegated to the SEC the power to determine what information might be published or treated as confidential, and that the commission's decision, based on substantial evidence, can't be challenged in the courts.

## Reaction in Silk

IF THE FIRST DAY'S trading in futures is any indication, raw silk is in for an exciting time this year. As soon as the market opened on Tuesday, silk fell off the limit of 15¢ a lb., with a complete absence of bids for the distant deliveries. The immediate reason for the reaction was the news that mill takings of the commodity last month was only 21,128 bales—the smallest since 1921. For the season to date mill consumption of silk, retarded by skyrocketing prices, has totalled but 191,325 bales against 222,375 bales last year.

With the synthetic fibers, nylon and vinyon, coming along to take their place beside rayon, silk is in for a struggle this year. Meanwhile, reduced imports and recent high prices have forced leading hosiery manufacturers to up their retail prices and to offer substitute fibers in their cheaper numbers.

## More Woes for Wall Street

MEMBER FIRMS of the New York Stock Exchange will look back upon 1939 with no particular affection from the standpoint of their profits. There are approximately 625 such firms, they operate more than 1,000 branch offices, and they can't carry on their business with many fewer than 40,000 employees. In 1939 they split up the smallest volume of stock trading since 1923, and in so doing splashed a good bit of red ink.

Economy efforts have witnessed a reduction in the number of member firms by about 50 during the last decade, and a cut in the number of branch offices from 1,658 to about 1,000. This retrenchment has meant real estate problems in the financial districts of most of the country's cities, it has entailed a white-collar unemployment which has been distressing to the stock exchange firms, and it has resulted in a drop in transfer taxes about which New York State complains bitterly. Yet congressmen from New York hesitate to go to bat for one of the state's important pro-

fessions lest they be tarred with the same stick as Wall Street.

1939's disappointing stock volume of 262,000,000 shares was chalked up despite 57,000,000-share turnover in September. Statistics on trading and the number of mouths to feed are presented in the following tabulation:

Year	Shares Traded	Member Firms	Member Branch Offices
1920	227,635,000	563	662
1921	172,778,000	...	...
1922	260,890,000	...	...
1923	236,482,000	...	...
1924	284,044,000	...	...
1925	459,717,000	...	...
1926	451,868,000	...	...
1927	581,702,000	...	...
1928	930,893,000	...	...
1929	1,124,608,000	...	...
1930	810,632,000	665	1,658
1931	576,765,000	649	1,492
1932	425,234,000	621	1,347
1933	654,816,000	610	1,171
1934	323,845,000	621	1,215
1935	381,635,000	621	1,093
1936	496,046,000	644	1,092
1937	409,464,000	647	1,182
1938	297,466,000	652	1,185
1939	262,030,000	627	1,080

## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Will Reds Split China with Japan?

**Or is Russia merely stalling for time? These questions are raised as Moscow dramatizes new accords with Tokyo on railroad and fishing rights.**

Moscow (Cable)—The Moscow press is playing up dramatically this week the two new accords which have been reached by Japanese and Soviet officials, but it is too soon to tell with certainty whether this is a smokescreen to hide the real news from the Finnish front or whether Soviet-Japanese relations are really going to be more cordial in 1940.

The first agreement provides for a final settlement of the Chinese Eastern Railroad question. When Japan invaded Manchuria in 1931, it took over the Chinese Eastern, which was jointly owned and operated by the Russians and the Chinese. Later in a conference with the Russians, Japan agreed to buy the Soviet Union's share of the railroad. Some time ago, with slightly less than \$2,000,000 still due Moscow, there was a disagreement between Moscow and Tokyo and payments were stopped.

The new accord this week provides that Japan will deposit at once to Moscow's credit in Tokyo the balance due the Soviet Union. Russia in turn agrees to utilize two-thirds of this amount for the purchase of Japanese goods.

#### Fishing Issue Points Way

The second agreement extends for one year the Kamchatka fisheries convention, one of the most troublesome problems in recent Soviet-Japanese relations. Huge Japanese fishing fleets for years have fished the seas north of Nippon. Some of the finest fishing beds are in Soviet waters. For years Japan's right to fish in these waters was extended more or less automatically by Russia. But when Soviet-Japanese relations became strained after Japan's occupation of Manchuria, Russia refused to renew the lease on the fishing grounds for more than a year at a time, and several times threatened to cancel it altogether.

If serious negotiations get under way soon for a long-term settlement of this problem, it will be most significant for it will mean that Russia is willing to relinquish this strong bargaining weapon in return for a boundary settlement along the Siberian-Manchukuan border and greater freedom for large-scale operations along Russia's European frontier.

It is considered significant in Moscow

that in this week's accords with Japan there is no mention of Russia's aid to the Chinese government in its battle against Japanese aggression. The better informed people here know that Moscow has been giving considerable aid to the Chungking government, and that Russia in the last six years has greatly increased its hold over the northwestern and western provinces of China.

Russian domination over Outer Mongolia is generally acknowledged in every world capital. It was to dislodge the Russians in this area that some of the bitterest of the little-known battles between the Japanese-Manchukuan and Soviet troops have been fought.

Since 1931, Russia has held a special position in Sinkiang, the great Chinese province along the Soviet border north of Tibet. Russian advisers are reported assisting the local Chinese government officials, and Russian airplanes have come to the aid of the Chungking government by utilizing airports established

some time ago in Sinkiang. At Lanchow, they have built a great air base which also serves as the headquarters for the Chinese air force. The Russians are also reported to have built roads in the province, and in a number of cities to have established power plants and small factories.

Against this background, little known to the outside world, the week's Russo-Japanese developments become extremely significant. Is Moscow only playing for time in the Orient while its hands are tied in Europe? Or has the Kremlin made the first move to split China with Japan and unite against the Western colonial powers in the Far East?

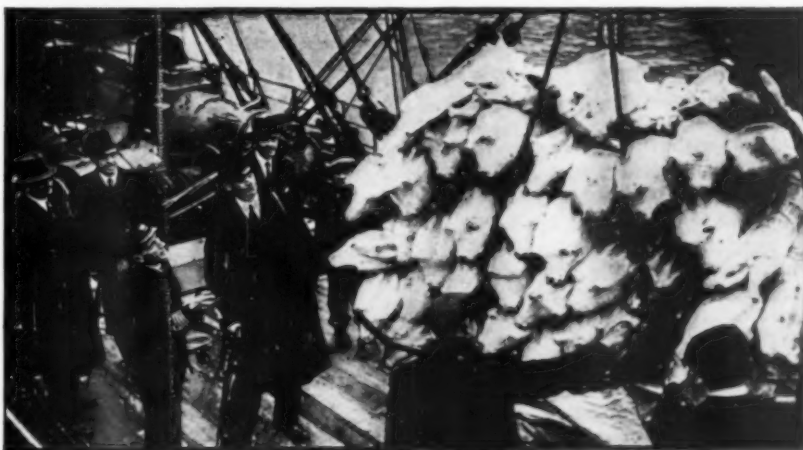
### Liquid Nazi Markets

**But sentiment is clouded by uncertainty over pending moves in financing the war.**

BERLIN (Cable)—German bourses closed the year firm and active, with an extraordinarily large supply of ready cash on hand. Two factors gave a year's end impetus to money liquidity: Consumers did not convert much money into goods during the holidays (business men have tagged Dec. 25, 1939, a "hoarding Christmas"); and retailers have not been able to replace the merchandise they did sell and have had to put their Christmas cash in bank accounts.

But the optimistic sentiment which ordinarily accompanies a liquid market has been marred by the general uncertainty over the new war financing measures which are pending. These measures

### England Keeps on Eating



W. S. Morrison, Britain's Minister of Food, here shown inspecting a shipment of lamb from Australia, is co-operating closely with naval authorities to insure a steady flow of supplies into England. England can't

raise or store enough to feed herself for much more than a month, therefore depends to an alarming extent on keeping the seas open for her supplies. In spite of German efforts, England still has no shortages.

International

are expected to consist of a mixture of new and higher taxes plus some compulsory saving scheme.

Meanwhile, the financial press, in its annual reviews of the state of the nation, predicts a first war loan for January. During the month, it is pointed out, high coupon maturities will add to the general money liquidity. The press also calls attention to a new factor in liquidity: Many industrial concerns are finding it impossible to make replacements or to renovate their equipment and consequently see themselves forced to keep their idle funds in the banks or invest in securities.

Resumption of direct railroad service between Russia and Germany, via Poland, has been widely publicized. However, the difference in gauges between Russian and German railroads makes it necessary to transfer freight at the frontier and reload. Direct air line service between Berlin and Moscow will start on Jan. 20.

An interesting shift has taken place in Germany's export trade since the outbreak of the war. There is a pronounced trend to direct the goods of better quality to Holland and Belgium and other neutral markets where competition from other countries is keenest. Inferior products are reserved for the Baltic and other areas where the Reich at present enjoys a monopoly.

### Canada Counts on War Orders

OTTAWA (Business Week Bureau)—Canada entered 1940 looking forward to a great expansion in industry and business which did not materialize during the war months in 1939. British and Canadian war orders, which have not been flowing in any large volume, are expected to be much larger in the next few months.

Canada's trade mission to Britain returned during the holidays with assurances that an all-time high in export trade to the United Kingdom is to be expected in 1940. Huge war orders for Canada were reported to be in the works in London.

Products which will figure heavily in the war trade with Britain include lumber, wheat, bacon, cheese, canned fruits and vegetables, and canned salmon. The English are also getting ready to buy large lots of chemicals suitable for war purposes.

Christmas business in most parts of the Dominion exceeded recent records, but the winter sports industry has been disappointing. Surprised that more American tourists are not taking advantage of the premium on dollar exchange in Canada, hotel owners and merchants are blaming false impressions of war-time restrictions in Canada—even, in some cases, enemy propaganda. More realistically, tourist authorities are seriously considering an extensive advertising campaign in the United States.

## WAR BUSINESS

REGULATIONS • WAR ORDERS • TRADE CONDITIONS

### The Economic War (1940 Chapter)

**Active fighting may be required, if Allies are to starve Germany. Franco-British buying in U. S. is more profitable to manufacturer than to farmer.**

THE CONVICTION is spreading that the Allies will not be able to starve out Germany unless they precipitate active warfare which will use up skimpy German raw material stocks and keep Germany completely occupied behind the lines in the production of munitions.

Behind the protection of the Westwall, German factories are turning out export goods at a tremendous rate. Top quality lines are sold in neighboring high standard markets like Belgium, Holland, and Sweden and so far are outselling comparable Allied items.

In the Southeast, where buying power is lower, Germany is offering lower quality goods at whatever prices the market will bear. Where Allied competition is keen, German prices are dropped; where the Reich dominates the market, prices are set to yield a reasonable profit. For the present, Italy is providing keener competition than the Allies in most of the Balkan countries. In Turkey, Britain has the upper hand.

#### French Order More Than British

Allied buying in the United States during the holidays was featureless. Airplanes and machine tools continue to top the list, with the French generally placing more business than the British. It is reported in New York that both the British and the French are currently asking for bids on leather goods, and that they may even buy old supplies of shoes from the American army.

Export figures for the first three war months show war conditions generally have been more profitable to the manufacturing business than to the farmer.

	1939	1938
Totals Sept., Oct., Nov.	(000s of dollars)	
Total Exports .....	\$913,410	\$776,384
Cotton .....	113,478	69,549
Tobacco .....	20,950	69,739
Wheat .....	4,060	7,284
Wheat flour .....	6,892	5,259
Corn .....	5,130	10,224
Dried Fruit .....	9,850	11,490
Fresh Apples .....	2,203	5,150
Lard .....	5,367	4,820
Iron and Steel semi-Manufacturers ..	50,942	30,689
Aluminum semi-manufacturers ..	6,436	399

Copper .....	22,881	21,321
Industrial chemicals .....	13,776	6,304
Lubricating oil ....	26,351	17,344
Automobiles and parts .....	51,221	56,891
Aircraft .....	17,387	13,261

The gain in cotton exports is more than balanced by the loss of tobacco markets abroad. Smaller wheat shipments are due to the British determination to buy within the Empire wherever possible in order to conserve exchange. Canada has a tremendous surplus and expects the British to buy it before turning to other foreign markets.

Fruit exports are not likely to expand soon, unless new markets can be uncovered, for both Britain and France have refused to grant import licenses until further notice and Germany is pretty effectively shut off from our market.

Lard sales have not increased importantly according to the figures but it is reported that inquiries in December increased significantly. Also, Canada is expected to buy enough pork in the United States to fill out the huge British contract for bacon which probably can't be completely filled in the Dominion, at least this year.

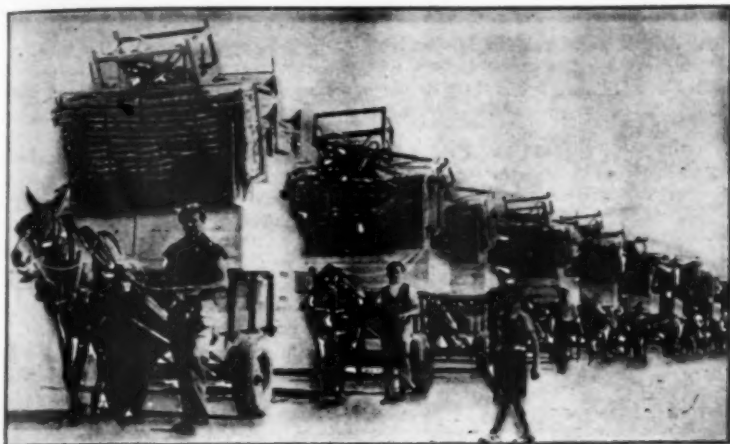
#### Allies Creep Toward Credits

Exports of manufactured goods are likely to expand steadily unless this Administration's moral embargo is extended to more items (it already covers airplanes and parts, aluminum and molybdenum, and the equipment for the production of high quality airplane fuels to Russia and Japan). The tremendous expansion in aluminum exports is due to heavy European buying. Aircraft exports will show a greater increase in the next three months because there is no longer the embargo on shipments to belligerents that was effective in September and October.

Congress will be watched closely for the first sign that rumored Allied pressure to secure credits in this country is effective. No credits can be granted under the Johnson Act to defaulters, or to belligerents under the Neutrality Act. Nevertheless, the urge to dispose of agricultural surpluses may yet cause Congress to consider some scheme to help move farm products as a part of the new war trade



## Libya, Hub of Mussolini's New African Empire



New settlers cart government-supplied furniture to their new homes.



Artesian wells supply water.

IN ROME, in the neighborhood of the Colosseum and the Forum, Mussolini has erected great illuminated posters showing the extent of the old Roman Empire in the days of its greatest glory. Though Caesar's legions are shown to have occupied even far away Britain, emphasis is on an Empire which surrounds the Mediterranean, "Our Sea."

Gradually Mussolini is making some of his dreams of creating a modern Italian Empire around "Our Sea" come to life. Early last spring, under the supervision of the dynamic Marshal Balbo, a vanguard of 5,000 workers crossed from Italy to Africa and started work on a great project to turn hot and barren Libya into a productive farm colony peopled by Italians.

Today a military highway stretches 1,200 miles along the Mediterranean from the Egyptian border to French Tunisia. Tripoli is becoming a modern city. Dozens of artesian wells have been sunk to irrigate potential farm lands and provide a water supply for modern villages.

In the center of each newly irrigated

region, the Fascist planners have built villages, each with a church, school and playground, dispensary, town hall, and Fascist party headquarters in modern buildings facing a hollow square.

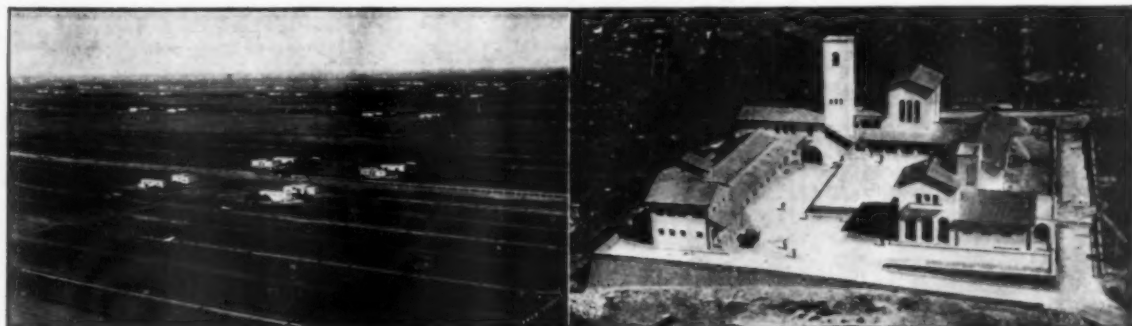
Surrounding the villages are farms of 20 to 30 acres, and on each a modern four or five room house. Each house is completely furnished by the government, and before the new tenants arrive from Italy it is fully provisioned and the new owner is given a mule and all of the farm equipment he needs.



Marshal Balbo, Libya's governor.

Twenty thousand emigrants from Italy settled on these new Libyan farms in the last three months of 1939, and another 60,000 are to come in the next three years. Each is chosen by Fascist authorities on the basis of his proved farming ability and his worthiness. Former soldiers in the Ethiopian campaign are given a preference. The government collects no taxes from the settlers until the first crops are harvested and keeps each family supplied with food until its own gardens begin to bear.

The new colony will provide an outlet for Italy's surplus population, and will strengthen Mussolini's hold on the north African coast, but it will not supply any of the important raw materials which Italy lacks. Crops planned by Balbo's expert agronomists who have been studying the country for several years include the same sort as are grown in Italy—wheat, barley, olives, tobacco, and vegetables. Some of the new colonists will fish the Mediterranean for tuna and sponges. Others will exploit the salt wells and potash fields along the Libyan coast.



Farms and irrigation ditches dot the plains. Each group of farms has its village unit.

# The War Week in Business

## At Home

**Mail**—Charging the British with taking United States mail from ships operating between America and neutral ports, the American Embassy in London has made a formal protest to the British Foreign Office. The removal of American mail from English or neutral steamers which have voluntarily entered British ports was also protested as a violation of a neutral's rights. Unofficially, the British don't think so.

**War Orders**—Arthur Purvis, head of the Anglo-French Purchasing Board in America, topped off a trip to Washington this week by conferring with President Roosevelt. Subjects of discussion included (1) the repercussions of sudden large-scale foreign purchases upon American industry, (2) the dovetailing of the American military purchasing program and the Allied program, and (3) the coordination of the English and French buying missions.

Earlier in the week, Purvis and his retinue paid a call on Secretary of the Treasury Morgenthau. Rumors persist in Washington that the Allies are angling for credits in this country, despite the existing legal barriers against lending to belligerents or to defaulters on old government obligations. Allies may attempt to put the pressure on by refusing to buy our agricultural surpluses (except cotton) and by competing even more seriously with us in world markets. Observers in Washington still doubt that Congress will repeal the Johnson Act this spring, or that public opinion would soon tolerate a sufficient easing of the Neutrality Law to allow credits to the Allies—unless they are desperately threatened in a possible major attack this spring.

The Finnish military attaché in Washington has stated that the Finns are buying high-speed marine motors for the Finnish mosquito fleet, which is being enlarged to harry the Russians in the spring. Also, the Finns are having conversations with the War Department to facilitate the delivery of the most advanced types of anti-aircraft and anti-tank guns. Assistant Secretary of War Louis Johnson hinted that government ordnance experts might be lent to private manufacturers to speed up a Finnish gun-production program.

**Government Buying**—The procurement division of the Treasury has reported that last year 25% of the bids for federal contracts were identical. Standardization of manufacturing procedure and lawful marketing agreements were among the reasons advanced for the similar bids. Greater publicity for bids, the avoidance of materials which are subject to patent control, and the setting up of an agency to investigate suspicious bids were among the remedial suggestions offered.

**Trade Conditions**—This week the Treasury Department released data on security transactions for September, the

first month of the War. British liquidation exceeded purchases by \$20,997,000; French withdrawals exceeded entries by \$19,986,000. But net liquidation of American securities by foreigners was only \$1,267,000, since investors in Holland, Switzerland, and the Far East bought heavily.

As of Sept. 30, 1939, the British had \$810,666,000 in short-term funds in the United States, France had \$333,802,000, and Germany \$12,215,000.

**Shipping**—The sale of eight United States Lines ships to a Norwegian corporation has been approved by the Maritime Commission. Other U. S. Lines ships have begun a service between Naples, Genoa, and New York; and the Panama Pacific Line, an affiliate of the U. S. Lines, is operating an expanded service to Hong Kong and Singapore from American ports. The American President Lines are cooperating with Panama Pacific.

Shipbuilding in American yards is up 74% in tonnage over a year ago, according to one source, with more than twice as much merchant tonnage under construction as naval. According to the National Council of American Shipbuilders, 108 commercial vessel contracts were awarded to private ship yards last year. The ships will total 833,355 in new tonnage.

## —And Abroad

**Great Britain**—Trade agreements between England on the one hand and Spain, Yugoslavia, and Turkey on the other are nearing conclusion. These pacts are designed not only to supply the Allies with war materials, but also to cut down the available sources of goods for the Reich. The English and the French are negotiating for Turkey's entire chromium supply, for an increase in Yugoslavia's export of copper and other metals, and for Spain's iron ore, mercury, and lead—a source which has been closed since the end of the Spanish civil war.

The financial balance sheet for the first three quarters of the current fiscal year, which began April 1, 1939, and includes four war months, puts the English government £314,361,360 in the red. Defense Loan Acts are reported to be covering the deficit.

Beginning Jan. 8, each person in England will be limited to 12 ounces of sugar per week. Meat is also to be rationed, but the individual quota and the date for conservation have not yet been announced.

On Jan. 1, King George VI gave his government the power to mobilize all Englishmen between the ages of 19 and 28, about 2,000,000 men. The men will be called up gradually in 1940.

**France**—French estimates of English and French casualties in the first three months of war total 4,004. The German are believed by the French to have had 5,600 sailors, soldiers, and aviators killed or wounded.

Among the stories originating in Paris this week was an official admiralty announcement that Germany has started the construction of small 130-ton submarines for a counter-blockade against England and France. French sources also stated that Germany had made a diplomatic protest to Italy against the shipment of Italian goods to the Allies.

**Germany**—Interned civilians will be exchanged between Germany and the Allies. The plan was arranged through the mediation of the United States, Switzerland, and Sweden. Men of military age will not be included in the exchanges.

Upper areas of the Danube are frozen over and continued low temperatures makes a general freeze likely, imperiling the regular movement of German commerce on the river.

**Chile**—About \$1,000,000 worth of locomotives, which were originally to be purchased in Germany, will be bought in the United States by the Chilean State Railways.

**Sweden**—The transfer of capital abroad has been banned by the Swedish government. Hard hit by contraband embargoes, the Swedes have decided that foreign exchange shall be used for commercial purposes alone in the future.

**Russia**—Soviet censorship of news dispatches, re-established last week, has been extended to foreign mail.

Fishing agreements with the Japanese government have been extended for another year. Also, Tokyo will pay the final instalment due to the Russians on the Chinese Eastern Railway which was seized by the Japanese when Manchukuo was set up (page 45).

**Uruguay**—The Tacoma, a German freighter which took aboard the crew of the Admiral Graf Spee when the pocket battleship was scuttled, has been interned at Montevideo for the duration of the war. The ship is classified as a naval auxiliary vessel by Uruguayan authorities.

**Mexico**—The government intends to start operating a stock market in the near future which will stimulate Mexican industrial development. Government will underwrite capital losses if firms selling through the new market fail—provided the firms were organized to improve home manufacturing industries.

**Near East**—Watch Bulgaria. Trade talks are progressing in Moscow between Bulgarian and Soviet officials but there is no confirmation yet that the Kremlin is having much success in making the kind of a deal it wants with Sofia. If the Soviet Union is able to win the kind of preferred position in Bulgaria that it now has in the three little Baltic States—Estonia, Latvia, and Lithuania—it will prepare the way for the next German-Soviet move in the Balkans in the spring, probably in Rumania.

## Canadian War Loan

**Flotation expected around Jan. 15. New taxes in prospect with the spring budget.**

OTTAWA (Business Week Bureau)—Canada's first war loan will be floated this month, probably around Jan. 15. Exact date is a secret, but the government will want to give business time to get back on a normal schedule after the winter holidays before making its offering to the public, and yet will want to close the books—if possible—before Parliament reassembles on Jan. 25.

The loan will probably be in the neighborhood of \$300,000,000, will be handled by the Bank of Canada, and will be offered to the public through the chartered banks and the other customary channels. The bonds will be in varying denominations, with some probably as low as \$50.

The rate of interest will be low, probably 3½%, and the bonds will not be tax exempt as was the case with the 1914-18 loans. In the depression years after the last war, when carrying charges on the war-inflated public debt became the biggest part of the country's budget burden, finance ministers resolved not to be caught again with the same problem. Investment experts believe that the loan will be quickly taken up, in part because patriotic sentiment is running high, but also because business is prospering and there is no sign yet of any setback.

Even before the war loan is out of the way, investors and business leaders are showing an equal interest in new taxes which are expected to be voted in connection with the spring budget.

### Tapping People's Earnings

With war costs soaring, additional revenue will be necessary. There is speculation now whether new funds will be sought by lowering the exemption on income taxes in order to tap wage earners in the lower brackets, or by boosting the sales tax.

Canada exempts incomes up to \$2,000 for married persons, and \$1,000 for single people from federal income taxes. It is estimated that 1,500,000 wage earners below these levels pay no income taxes. A few leaders favor tapping a new section of the public, but the experts doubt the effectiveness of lowering the level of exemptions. They point out that only \$2,000,000 is paid by the 150,000 Canadians who pay taxes on incomes below \$3,000. They think the cost of collection, if the base is lowered, would be out of proportion to the return.

The easiest method available to Ottawa of raising revenue is by boosting the sales tax. At 8% the tax now produces about \$200,000,000. Imposed at the source, the collection cost is very small and the trade remits to the government every month. If the tax were boosted to 10%, experts

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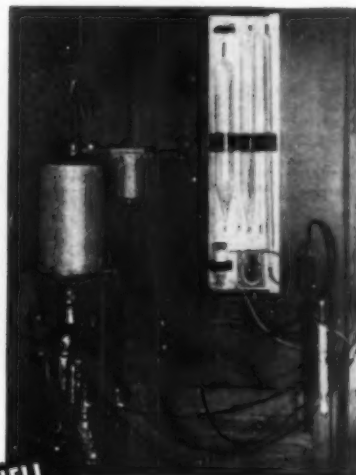
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By the terms of the contract Canada is to ship to Great Britain a minimum of 223,000,000 lb. of bacon in the next year. If it has the meat available it may, at its own option, ship as much as 291,000,000 lb. British "bacon" is everything from neckbone to hamshank, just so it is cured, smoked, and sliceable into rashers. A Wiltshire side is the entire side of a hog thus made into bacon. Until Oct. 1, 1940, the price under the contract is 18¢ per lb. for Grade A Wiltshires.

## U. S. Makes Up Difference

The Dominion's normal rate of export is 185,000,000 lb. a year, which is all that its marketable hog supply is up to. Thus, the war is boosting its exportation by somewhere between 38,000,000 lb. and 106,000,000 lb., thereby removing much of its usual domestic supply. If Canadians are to eat as much pork as they are used to, the difference will naturally be made up from the United States. Converted into 115-lb. dressed hogs which the Canadian trade requires, this means 325,000-925,000 animals. The hog exports from the U. S. to Canada should have a greater effect upon the American farmer than exports of less than a million hogs would normally be expected to produce. Most of these hogs are coming from the Corn Belt and other Northern states in which the livestock surplus is greatest today. And it is in these states that the national market price of hogs is made.

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## THE TRADING POST

### Rubber Checks but No Bounce

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Todd puts the rubber in these checks, however, so they won't bounce. It comes about this way: For the past fifteen years the government of the Dutch East Indies has been helping the natives to develop more rubber production, and now hundreds of thousands are in the business.

But the volume of rubber production is closely controlled through agreement between the chief rubber-producing countries. And at least once a year delegates meet to estimate production and allocate a certain percentage for export.

With so many native producers, this business of estimating production is quite a chore. It involves not only a census of producers and their trees, but also an appraisal of quality and the various factors that govern production. Then, once the estimate is made, each native grower gets a government permit authorizing him to produce a certain amount of rubber. These permits are issued for each quarter. About 10,500,000 are used every year.

Now, no rubber can be exported from the Dutch East Indies without an export license, and you can't get one of those unless you return your production permit to the government. Needless to say, every native who gets a permit does not have to grow the rubber. If he prefers, he can sell his permit, because someone else will be glad to take advantage of the right it confers to increase his own production. So the permits become highly negotiable instruments, fluctuating in value with the price of rubber.

As a matter of fact, most of the natives sell their permits rather than their rubber. The permits are bought up by the large producers and exporters. When they have a quantity of rubber available for shipment, they must submit the covering permits to a government official and get an export license for the lot. As a matter of convenience, the government issues these license blanks in check-book form to the growers, who write out their own licenses against their export allowances.

And that is why the rubber gets into the checks. Obviously a counterfeiter who might go into the business of producing phony permits or licenses, or who even went in for a little "raising" on those papers, could make a killing in the Dutch East Indies. So the government looks to The Todd Co. to supply the paper on which these documents are printed, and

the checkwriters which safeguard them against alteration.

The rubber? Oh, yes. When this paper is treated with a certain chemical, it reveals an overall design, normally invisible, composed of hundreds of repetitions of the word "rubber". This device is confined exclusively to the paper used for the licenses and permits. It guarantees that they are genuine and thus takes the bounce out of the "rubber checks".

### Office Obsolescence

THE OTHER DAY an executive I know was talking about the importance of keeping industrial equipment up-to-date, and the high cost of the obsolescence that may be incurred if that isn't done. He pointed out that many managements set up a policy of consistent replacement of obsolete equipment by more efficient models as they come along. He reminded me how seldom industrial equipment—especially the part that controls production costs—is kept in service long enough to wear out. Most of it is replaced because it no longer is profitable to use it.

"But it is interesting," he observed, "to see how companies that are most aggressive in obsoleting their factory equipment will carry on indefinitely with antiquated office equipment."

"This is getting to be more and more important," he continued, "because of the increasing volume of records required by modern operating control—production, selling, personnel and all the rest of it. Then there are all the new employment and social security records, too; which won't get any less as time goes on."

"You've got to remember that those big overhead charges are more or less fixed, regardless of the volume of business. So it's going to be smart to get them down and keep them as low as possible. And you can't do that by relying on old equipment with a lot of separate operations. You don't have to do it either, because now you can get machines to handle almost any kind of record job and combine a lot of operations that used to be done separately."

"The way things are now and the way they're heading, more efficient office operation is going to become just as important as more efficiency in the shop. More than ever, profits are where you find them, and you've got to chisel them out of costs wherever you can. And you'll find that office expense is one of the places you can chisel to good effect."

"The fact is that a lot of companies would earn more on some of their surplus funds if they put them into modern office equipment than they are getting from the banks. And," he concluded, "I don't mean maybe."

W.T.C.

INSTANT ADJUSTMENTS



**HARTER** Self-Fitting Posture Chairs are the latest in good posture seating. The finger-tip controls are easy to adjust and eliminate the bother of special fitting service. These chairs are easy to sit in, too—foam rubber cushions on open work steel grills. Nothing like them anywhere.

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

January 6, 1940

## But Can the Bond Market Take It?

FOR SEVERAL YEARS broad rumblings have come from Washington about the "new and necessary rôle" the government must take in managing the nation's destiny. The exact nature of that rôle has been pianissimoed by such soft-sounding phrases as pump-priming, or compensatory spending, or recoverable investments. But now, Secretary of Commerce Hopkins, in his annual report, brings these deficit dollars into the wide open spaces of common understanding. He says:

"Government . . . is charged with the primary responsibility for the national welfare. . . . The community must accept finally and without qualification, the responsibility for securing and maintaining the conditions necessary for the full utilization of our resources. The contributions of business, labor and agriculture to this end are vitally important, but the residual responsibility is of necessity borne by government. . . .

"Specifically, while the federal government encourages private investment and employment by every means in its power, to the extent that private employment cannot be found, the government must help provide the necessary jobs and support the nation's buying power through public action. Value given for value received is the only sound principle. The country cannot be poorer when its workers are creating useful works, and future generations will not be poorer for the receipt of this heritage."

By "public action" Mr. Hopkins means public dollars to guard against periodic breakdowns in production and consumption.

THERE IS NO NEW METHOD in Mr. Hopkins' measures. Marriner S. Eccles, chairman of the Board of Governors of the Federal Reserve System, has had the same idea. But it remained for the Secretary of Commerce to formulate for the first time in an official Administration document the philosophy underlying the fiscal policy of Mr. Roosevelt.

The theory behind the government spending scheme is that when business is bad Congress provides appropriations for relief and re-employment. Then, "as recovery advances and the national income expands, government revenues increase, government expenditures decline, and the budget is brought into balance."

But Mr. Hopkins says not one word on how this permanent program is to be permanently financed. Presumably, as in recent years, the federal government will sell government bonds. But it is to be remembered that this selling job in the past few years has been particularly easy. The banks were anxious

to invest; European funds were coming to this country putting money in supply and bonds in demand; the credit of the United States government ranked highest among major nations throughout the world; and U. S. Treasury bonds, in consequence, were *ne plus ultra* investment.

There is no assurance, however, that this preeminent esteem can long perdure in the face of constant deficits; particularly in the face of a philosophy which contemplates deficits as a more or less permanent fiscal policy. Right now, ordinary expenditures of the government have mounted to \$7,000,000,000. Even in good years, income taxes, excises and customs duties have failed to bring in that much revenue. So, even without provision in the budget for "compensatory spending", the government seems destined to raise money in the open market. For, not once in the last ten fiscal years has the budget been brought into balance, and in the 1941 fiscal year another large deficit is in prospect.

YET, in order that this attractive scheme—of "compensating" the country out of depression may work—it is essential to keep the government in good credit standing. It is essential to achieve an approach to a permanently balanced budget—not a budget that is necessarily balanced each year, but certainly a budget that over a ten-year stretch comes out even on both sides. In some years, surpluses will have to make up for deficits, if the nation's debt is not to pile up year after year, and the Secretary of the Treasury be permanently saddled with the problem of selling more bonds to raise cash.

Therefore, before going overboard on the government's "residual responsibility" to compensate for business instability, it would be pertinent to consider the government's ability to discharge the responsibility. Will its credit—will the government bond market—be able to stand the strain this philosophy seems permanently to put on it?

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